The Torch

March 28, 2014

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

COHEAO News

- **Register Today for the COHEAO Mid-Year Conference—August 3-5, Denver**
  Online registration is now open for the COHEAO Mid-Year Conference. Register today!
- **COHEAO Releases "Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction," Webinar Set for April 29**
  A week prior to this week's Senate hearing toughing on the subject, COHEAO released our 2014 Financial Literacy White Paper detailing the most effective financial literacy initiatives which universities are employing to educate their students.
- **COHEAO Submits Comments Asking FCC to Permit Calling Cell Phones with Predictive Dialers**
  COHEAO this week submitted a comment to the Federal Communications Commission in support of permitting the calling of cell phones by autodialers.
- **Special Attachment: The New DL Consolidation Process**
  This is a reminder to all of our COHEAO members to sign up for the new Direct Loan Consolidation process. Included with today's edition are multiple attachments on this new process.

Congress

- **Harkin Wants to Explore Loan Limits for Grad Students**
  The Senate HELP Committee Convened a hearing yesterday, "Strengthening the Federal Student Loan Programs," where Chairman Harkin expressed alarm at unlimited lending for graduate schools and the lack of available data on graduate borrowing.
- **Appropriations Process Continues as House and Senate Differ on Budget Approach**
  The appropriations process continues to move ahead, even as the House and Senate will have very different approaches on the FY 2015 budget.
- **House to Examine Higher Ed & Contemporary Students Next Week**
  On April 1, the full House Education and the Workforce Committee will convene a hearing on contemporary students in higher education.
- **Senators Murray and Baldwin Re-Introduce Tyler Clementi Act Aimed at Online Harassment in Higher Ed**
  Yesterday, Senator Tammy Baldwin (D-WI) joined Senator Patty Murray (D-WA) to reintroduce the *Tyler Clementi Higher Education Anti-Harassment Act of 2014*.

White House & Administration

- **ED Negotiated Rulemaking Dives Deeply into Campus Cash Management Issues**
  The Department of Education's negotiated rulemaking on "program integrity" issues continued in its second round this week with some proposals on the table that could have a major impact on campus banking relationships, especially the use of campus debit cards.
- **CFPB Issues Annual Report on Debt Collection**
  The Consumer Financial Protection Bureau (CFPB) issued its annual report to Congress on the debt collection market.
- **The Federal Servicer Info & Ratings for Quarter Ending Dec. 31 Now Available**
  The Department of Education released the quarterly results for federal loan servicers.

Industry

- **James Bergeron to Become President of NCHER, Vince Sampson to Step Down at EFC**
  The National Council of Higher Education Resources (NCHER) announced that James P. Bergeron has been named as its next President.
- **PESC Seeks Public Comment on Student Loan Portfolio Detail Reporting Standard 2.0**
  PESC recently announced that a Public Comment Period is now open on the proposed version 2.0 of the Student Loan Portfolio Detail Reporting Standard. Public Comment Period opens today March 6, 2014.

Attachments

- **COHEAO Commercial Members**
- **Board of Directors**
- **Special Attachment: Consolidation Process Paper**
  - **Special Attachment: Direct Loan Consolidation Process Contacts**
- **COHEAO Summary: Gates RADD Consortium Event on "Auto-IBR"**

Register Today for the COHEAO Mid-Year Conference—August 3-5, Denver

Online registration is now open for the COHEAO Mid-Year Conference. Register today! Set for August 3-5 at the Grand Hyatt Denver, the COHEAO Mid-Year Conference is the premier summertime event for campus loan administrators and student financial services professionals.

The COHEAO Mid-Year Conference is a unique event that offers deep insights on the most pressing legislative and regulatory issues facing campus professionals as well as training on the basics of program administration. Our Agenda Committee is diligently putting together an informative and engaging conference program based on ideas and suggestions from COHEAO members and past conference attendees. In addition to updates on the Congress, the CFPB, and the Department of Education, sessions at the COHEAO Mid-Year will address financial literacy and higher education, the use of debit cards on campus, UDAAP enforcement, and much more. A preview of the conference program is available online

The COHEAO Mid-Year will be held at the Grand Hyatt Denver, a modern, comfortable hotel located in the heart of the city. COHEAO has negotiated a fabulous rate of $169 for conference attendees. Whether it is catching a game at nearby Coors Field, a visit to the Rocky Mountains, or any of the other fun activities Denver has to offer, the Grand Hyatt Denver is a perfect location for tacking a summer vacation onto a business trip.

Go ahead and sign up today. This is a conference you won't want to miss.

COHEAO Mid-Year Conference at a Glance

When:	**August 3-5, 2014 (Conference Programming August 4 & 5)**
Where:	**Grand Hyatt Denver**
Registration:	**http://goo.gl/hE1mVy**
Additional Info:	**http://goo.gl/ZjfljU**
Costs:	**$460 for all COHEAO members ($510 after July 11)** **$560 for institutional & organizational non-members ($610 after July 11)** **$1,610 for commercial non-members ($1,660 after July 11)**
Conference Hotel:	**Grand Hyatt Denver**
Hotel Registration:	**Click here for online registration** **Call (402) 592-6464 and mention COHEAO.**
Hotel Rate:	**$169 (Market rates after July 11)**

New COHEAO Webinar, "Rehabbing Perkins Loans—An Update & Review," Set for Tuesday, March 25

COHEAO is pleased to announce we are hosting a new webinar, "Rehabbing Perkins Loans—An Update & Review." Set for March 25 at 2 PM Eastern Time, this webinar will review the ins and outs of rehabilitating Perkins Loans. Register today.

The panel for this webinar includes the perspectives of schools, servicers, and agencies on the rehab process. This webinar will feature Maggie O'Neal and Cosmin Tarau of the University of Minnesota, Chris Stompanato of ECSI, and Craig Gettys of Todd, Bremer and Lawson.

This webinar will address all aspects of the rehabilitation process, including:

- *Establishing a Loan Rehabilitation Program and administering it consistently—what must your program include?*
- *Notifying borrowers of the rehabilitation option and the benefits and consequences.*
- *When must you rehabilitate?*
- *Samples of Rehabilitation Agreements*
- *Rehabilitation on accelerated loans*
- *What happens when borrower successfully completes their rehabilitation?*
- *Collection costs on rehab loans.*
- *Rehabilitation Exceptions*

In addition to these topics, the panelists will have time to answer your questions in a Q&A session. Register today.

COHEAO Webinar at a Glance

What:	**Rehabbing Perkins Loans—An Update & Review**
When:	**Tuesday, March 25, 2:00-3:30 PM Eastern**
Costs:	**$49 for COHEAO Members/$99 for Non-Members**
Registration:	**http://coheao.site-ym.com/events/event_details.asp?id=418597&group=#**

COHEAO Releases "Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction," Webinar Set for April 29

A week prior to this week's Senate hearing toughing on the subject, COHEAO released our 2014 Financial Literacy White Paper detailing the most effective financial literacy initiatives which universities are employing to educate their students. This paper, "**Financial Literacy in Higher Education: The Most Successful Models and Methods for Gaining Traction**," is a free resource created to help colleges and universities develop programs to assist students in managing their finances, including student loan debt.

In addition to reviewing numerous financial literacy programs on campus—classroom-based programs, online programs, gaming-based programs, individual counseling, and event-based programs—the paper also addresses an often overlooked but key aspect of developing an effective higher education financial literacy initiative—acceptance on campus.

Kris Alban of iGrad, the Chair of the COHEAO Financial Literacy Task Force, served as the editor of the report. In addition to Alban, the paper's contributors include: **Sonya Britt**, an Assistant Professor and Program Director of Personal Financial Planning at Kansas State University; **Dottie Durband,** a Professor of Personal Financial Planning at Texas Tech University and the founding director of the Red to Black® program; **Mary K. Johnson**, Director of Financial Literacy and Financial Aid Policy at Higher One; and **Sharon Lechter,** the founder and CEO of Pay Your Family First, and the bestselling author of *Rich Dad Poor Dad, Three Feet from Gold*¸ and *Outwitting the Devil.*

Tuesday marks the beginning of Financial Literacy Month and COHEAO will be offering a paper at multiple events in Washington to mark the occasion. Please read the report and share it with your colleagues. It is available, along with additional information on the COHEAO task force, at the following: www.coheao.org/financial-literacy

We will also be hosting a webinar on Tuesday, April 29 where several of the paper's contributors will discuss many of the successful models highlighted in the paper. Look for an announcement with additional details and registration information on this webinar in the coming days.

COHEAO Submits Comments Asking FCC to Permit Calling Cell Phones with Predictive Dialers

COHEAO this week submitted a comment to the Federal Communications Commission in support of permitting the calling of cell phones by autodialers. COHEAO also signed onto two other letters with other associations in support of petitions calling for a change in the FCC interpretation of the Telephone Consumer Protection Act so that autodialers can be used for informational, non-marketing calls without express written consent of the person being called.

COHEAO three weeks ago sent a letter in support of a petition to the FCC by United Healthcare Inc. to that would protect organizations from being sued for calling cell phone numbers that have changed owners without the knowledge of the calling party. COHEAO last week signed on to a more specific student loan –oriented response letter with several other organizations in support of the United Healthcare petition.

COHEAO also signed onto a letter with the same group of organizations supporting the petition by ACA International calling for the FCC to modify its interpretation of the TCPA in a declaratory ruling updating previous interpretations of the rules, or, if necessary, opening a rulemaking on the TCPA regarding calling cell phones. On March 24, COHEAO sent a separate, more expansive letter in support of the ACA International petition that also explained many reasons that campuses would need to call cell phones. For more information or to receive copies of the letters, please contact Harrison Wadsworth at hwadsworth@wpllc.net.

COHEAO's Board of Directors has formed a Task Force on TCPA to follow this rapidly changing situation led by Bob Perrin, the Immediate Past President.

Special Attachment: The New DL Consolidation Process

This is a reminder to all of our COHEAO members to sign up for the new Direct Loan Consolidation process.

Great Lakes has provided a special implementation Team Phone Number, 855-412-5731. According to Great Lakes (one of the four TIVAS, over 200 schools have still not signed up for this new process with them. Great Lakes will NOT issue any LVC's or send schools their Consolidation funds until they are properly signed up for this process. It's important for schools to follow up with each individual Servicer to ensure that set up is complete.

COHEAO realizes that this has been a confusing process, so attached today's edition is a white paper that gives you step by step directions and contact information on how to sign up with each of the TIVAS.

We would like to extend a special thanks National Credit Management for providing this document. Any questions, please contact Karen Reddick (kreddick@ncmstl.com) or Jan Hnilica (Jan.Hnilica@wheaton.edu) and they will help you through the sign up and any other process questions you may have.

Congress

Harkin Wants to Explore Loan Limits for Grad Students

The Senate HELP Committee Convened a hearing yesterday, "Strengthening the Federal Student Loan Programs." A "Spark" on the hearing was sent to COHEAO members this morning. It is also available at www.coheao.org.

The hearing also featured a discussion of graduate student debt. Following the hearing, Chairman Harkin gave an interview with the *Wall Street Journal* where he suggested it is time to examine the unlimited borrowing of Grad PLUS.

"Why would [the government] grant loans with no limits? I don't get that," Harkin told the *Journal*. "I'm going to look at how this came about in 2005, whose idea was this, how did this develop."

Harkin's interest in graduate borrowing comes on the heels of the release of the New America Foundation "Graduate Student Debt Review," which suggested that Congress should be focusing on graduate student debt rather than undergraduate debt because as much as 40 percent of the estimated $1 trillion in outstanding debt corresponds to graduate and professional school students. The report used annual disbursements as a proxy for volume and later corrected that figure to 34 percent. Nevertheless, graduates likely comprise a greater share of student borrowing than many policymakers realized.

New America offered great regret on this error, stating it took away from the main aspect of the report—graduate debt levels taken from the National Postsecondary Student Aid Study (NPSAS). According to NAF's analysis of NPSAS data, The jump from 2008-2012 across all types of graduate programs is highlighted throughout the report. A key table is below:

50th Percentile

Graduate programs	2004	(+/-)	2008	(+/-)	2012	(+/-)
Business Administration	$33,090	$17,652	$28,483	$8,877	$36,129	$5,810
Education Masters	$27,455	$5,178	$25,607	$7,407	$35,350**	$3,824
Master of Arts	$27,942	$7,147	$34,294	$8,983	$43,109†	$8,141
Master of Science	$32,564	$5,066	$28,143	$5,858	$36,000	$6,212
Other Master's Degree	$25,999	$4,352	$37,376	$6,126	$38,734**	$5,545
Medicine (MD) & Other Health Science	$103,033	$22,761	$111,304	$21,488	$135,000†	$17,465
Law (LLB or JD)	$76,816	$12,411	$83,654	$7,404	$128,125**	$11,174
Total[1]	**$33,681**	**$3,482**	**$34,146**	**$3,417**	**$41,000****	**$3,098**

An article from the *Wall Street Journal*'s interview with Sen. Harkin is available online:
http://online.wsj.com/news/articles/SB10001424052702304688104579465640089078388?mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702304688104579465640089078388.html

Additional information the "Graduate Student Debt Review" is available online:
http://www.edcentral.org/correction-graduate-student-loan-disbursements/

Appropriations Process Continues as House and Senate Differ on Budget Approach

The appropriations process continues to move ahead. This week, there were numerous hearings where cabinet secretaries and agency directors were called upon to defend the Administrations FY 2015 budget proposal. Public witnesses appeared before the House Labor, Health and Human Services and Education Appropriations Subcommittee to make their case for funding specific programs or initiatives.

The overall budget for the Department of Education has not yet been the focus of a hearing in the House or Senate as Secretary of Education Arne Duncan will not come to defend funding for his agency until later in April. Member requests for program funding are due to the House Labor-HHS-Education Appropriations Subcommittee by Friday of next week—April 4.

Senate Budget Committee Chair Patty Murray (D-WA) has determined that a budget resolution for the Senate is unnecessary because the overall spending level for FY 2015 has already been established ($1.012 Trillion) and sequester cuts are put on hold for two years. Following hearings and a meeting by the full Appropriations Committee, allocations will be determined for each subcommittee and the drafting of the 12 bills that make up the federal budget will begin. Senate Appropriations Committee Chair Barbara Mikulski (D-MD) has made it clear she wants all appropriations bills ready for floor action by Memorial Day, if not sooner.

Murray's counterpart, House Budget Committee Chair Paul Ryan (R-WI) is writing a budget resolution reported to include several policy riders that will inform voters about what they can anticipate if the GOP picks up new House seats plus the Senate Majority in the mid-term elections this fall. It is a strategy that does not reflect the consensus view among House Republicans. Even Speaker John Boehner (R-OH) has been unwilling to announce floor time for a debate on the Ryan plan.

Details on the proposal remain largely unknown at this point, but it is rumored that Ryan will respect the agreed upon overall level of spending but will include other conservative policy changes that would make it impossible for Democrats to support the resolution. One prediction is very safe—the resolution will not include the President's proposal to rebrand Perkins Loans as an expansion the Direct Loan program, as this costs the government money under Ryan's preferred method of accounting for federal credit programs, Fair-Value Accounting. The House Budget Committee is slated to mark-up the resolution next week.

House to Examine Higher Ed & Contemporary Students Next Week

On April 1, the full House Education and the Workforce Committee will convene a hearing on contemporary students in higher education. The hearing is the latest of the "Keeping College within Reach" series the Committee and Subcommittee have been convening in advance of HEA reauthorization.

The use of "contemporary students" in the title is noteworthy because Subcommittee Chair Virginia Foxx (R-NC) has long insisted the term "non-traditional student" is out of date and out of touch. She has noted on numerous occasions that students outside of the typical 18-24 age-rage now make up the majority of undergraduates.

Witnesses for the hearing have yet to be announced. It is scheduled for April 1 at 10:00 a.m. in 2175 Rayburn.

Additional information on the hearing, including a live webcast, are available at http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=374147

Senators Murray and Baldwin Re-Introduce Tyler Clementi Act Aimed at Online Harassment in Higher Ed

Yesterday, Senator Tammy Baldwin (D-WI) joined Senator Patty Murray (D-WA) to reintroduce the *Tyler Clementi Higher Education Anti-Harassment Act of 2014* - aimed at curbing harassment and bullying at colleges at universities across America.

Below are highlights of the legislation from Sen. Baldwin's announcement:

- Requires colleges and universities receiving federal aid to establish an anti-harassment policy prohibiting the harassment of enrolled students based on their actual or perceived race, color, national origin, sex, disability, sexual orientation, gender identity, or religion.
- Requires colleges to distribute their anti-harassment policy to all students and employees, including prospective students and employees, upon request.
- Recognizes "cyberbullying," which includes harassment undertaken through electronic messaging services, commercial mobile services, and other electronic communications.

- Authorizes a competitive grant program for institutions of higher education to initiate, expand, or improve programs to: (a) prevent the harassment of students; (b) provide counseling or redress services to students who have been harassed or accused of subjecting other students to harassment; and (c) train students, faculty, or staff to prevent harassment or address harassment if it

White House & Administration

ED Negotiated Rulemaking Dives Deeply into Campus Cash Management Issues

The Department of Education's negotiated rulemaking on "program integrity" issues continued in it second round this week with some proposals on the table that could have a major impact on campus banking relationships, especially the use of campus debit cards. The Department's proposals and comments made at the negotiating table seem to align closely with those of consumer representatives in the negotiations that are highly critical of arrangements between campuses and debit card providers. That point of view is apparently that financial institutions and universities setting up deals that benefit them at the expense of students, so the federal government must intervene to protect students from their schools.

The Department's latest Issue Papers on the negotiations, which include first drafts of regulations, are available on the Department's special web site for the neg reg: http://www2.ed.gov/policy/highered/reg/hearulemaking/2012/programintegrity.html .

COHEAO members with comments are urged to contact Harrison Wadsworth or Wes Huffman at hwadsworth@wpllc.net or whuffman@wpllc.net . The Department indicated it will be making modifications to the first drafts of the regulations before the next round of neg reg commences on April 23-25.

The negotiations focused on examples of fees charged by companies that provide campus cards and set up bank accounts that receive federal student aid funds. Many of the fees discussed are types that are no longer charged, but the solutions on the table could affect all banking relationships with institutions of higher education. One example is that the Department wants free ATM service offered anywhere for withdrawal of federal student aid refunds. Discussion late Thursday focused on how many free withdrawals would be acceptable, with support for free withdrawals from a large national network of ATMs with a few free out of network withdrawals permitted per month.

A University of Wisconsin Credit Union negotiator and a Wells Fargo Bank negotiator proposed regulatory language that would say that as long as a student independently opened a bank account, he or she could deposit federal aid funds in it without it automatically being considered part of a special arrangement with the school and thus subject to Education Department special rules and restrictions. The proposal was met with interest by Department negotiators but also with some questioning. Other than making the statement that withdrawals of federal aid funds from ATMs must be free, the Department negotiators haven't yet made clear their position on the proposal.

Other negotiators representing schools and non-banks pointed out that there are costs to any kind of financial transaction, including checks, that someone has to cover.

Rohit Chopra and several of his colleagues from the Consumer Financial Protection Bureau started the discussion March 27 with a brief recap on the CFPB's report on campus debit cards that was released in February. He gave a presentation like the one presented at a CFPB Forum on the topic earlier this year. Chopra ended with the point that fees students pay to use debit cards and/or accounts negotiated by schools were no better for students than other financial institutions offered. Consumer groups and ED took that conclusion as an indictment of such arrangements and an indication that universities and financial institutions are conspiring to advance the interests of the schools at the expense of their students.

Other topics discussed were: clock to credit hour conversion, requirements that states authorize distance education programs offered to their residents, creating a requirement that schools get authorization from their home state when they open a foreign location, the definition of adverse credit history that results in the denial of a PLUS Loan, and provision of aid to students retaking coursework.

On the cash management accounts, the Department proposed to prohibit putting federal aid funds in sweep accounts, saying they are risky, and to require that schools keep all federal aid funds in a separate bank account. But most of the discussion was over the Department's proposals to eliminate fees paid of any kind to access federal student aid funds.

CFPB Issues Annual Report on Debt Collection

The Consumer Financial Protection Bureau (CFPB) issued its annual report to Congress on the debt collection market. The CFPB press release states, "The report finds that many consumers complain that they are being hounded by debt collectors about debts they do not owe. Top complaints also include debt collectors' use of aggressive communication tactics and threats of illegal actions."

The Bureau began accepting debt collection complaints in July 2013. These complaints quickly became the largest source of complaints each month. The Bureau received 30,300 debt collection complaints between July and December 2013. Companies have already responded to about 82 percent of the complaints the Bureau has sent to them for a response in that time frame. According to the CFPB, the top three complaints were about:

- Collectors hounding consumers about a debt they do not owe: More than one-third of the complaints the CFPB handled were about a debt collector continually attempting to collect a debt that the consumer does not believe is owed. Of these complaints, almost two-thirds of consumers report that the debt is not theirs, while others report that the debt was paid, was the result of identity theft, or was discharged in bankruptcy.

- Aggressive communication tactics used by debt collectors: Nearly a quarter of the complaints received by the Bureau were about debt collectors using inappropriate communication tactics. More than half of those complaints cite frequent or repeated calls from a collector and often the collector is calling the wrong phone number. Consumers also complain about debt collectors calling their places of employment or collectors using obscene, profane, or abusive language.

- Taking or threatening an illegal action: About 14 percent of consumers report that a company is taking or threatening an illegal action. Most of these complaints are about threats to arrest or jail consumers if they do not pay. Other complaints relate to collectors threatening to sue or attempting to seize property

The report also specifically addresses student debt, noting the average debt has grown to $29,000. It also states that roughly one in eight student loan borrowers carries more than $50,000 in student loan debt and highlights the Bureau's efforts to "educate and empower" consumers on student payment, stating this "has been and will continue to be a significant focus for the Bureau."

- For the CFPB press release, see: **http://www.consumerfinance.gov/newsroom/consumers-report-being-hounded-about-debts-not-owed/**
- For the full report, see: **http://www.consumerfinance.gov/f/201403_cfpb_fair-debt-collection-practices-act.pdf**
- For a review of CFPB complaints from ACA International, see: **http://www.acainternational.org/cfpbarticle-aca-international-research-analyzes-cfpb-consumer-complaints-31369.aspx**

The Federal Servicer Info & Ratings for Quarter Ending Dec. 31 Now Available

The Department of Education released the quarterly results for federal loan servicers. The Department rates servicers by numerous metrics, including portfolio performance, borrower-customer service, school-customer service, and federal personnel-customer service.

For this quarter, the TIVAS are rated on all metrics while the NFPs do not include a school-customer service rating. However, the information on NFP portfolio is provided in greater detail as it offers resolution rates for borrowers more than six months delinquent for each of the NFP servicers.

- The TIVAS ratings are available online: **http://www.ifap.ed.gov/eannouncements/attachments/032414LSI201314SecondQuartersResultsTIVAS.pdf**
- The NFP ratings are available online: **http://www.ifap.ed.gov/eannouncements/attachments/032461LSI201314SecondQuartersResultsNFPs.pdf**
- The IFAP announcement on all of this information is available online: **http://www.ifap.ed.gov/eannouncements/032114LSI201314SecondQuartersResults.html**

Industry

Special Attachment: Gates Report Calls for Employer Withholding Tied to Income for Federal Student Loans

Billed as "Phase II" of the Gates Foundation's Reimagining Aid Design and Delivery (RADD) initiative, a consortium of organizations was tasked with addressing income driven repayment for federal student loans. The group released , "Automatic for the Borrower: How Repayment Based on Income Can Reduce Loan Defaults and Manage Risk," which calls for the creation of a single "automatic-IBR" system in which federal student loan servicing would ideally largely be replaced with an employer withholding scheme.

The consortium includes NASFAA, Young Invicibles (YI), the Institute for Higher Education Policy (IHEP), the New America Foundation (NAF), HCM Strategists, and the Committee for Economic Development (CED). Representatives from each of the organizations gathered for a panel discussion moderated by Libby Nelson of Vox Media at CED's offices last week.

Rory O'Sullivan of YI gave opening remarks at the luncheon event. He attempted to frame the report as a viable solution to the student loan "repayment crisis." O'Sullivan spoke of the drastic consequences of default on a federal student loan, noting in some cases the penalty "can even include wage garnishment."

The paper claims such an automatic-IBR proposal would nearly eliminate delinquency and default. However, it also acknowledges the prospect of unintended consequences, and at least one of the consortium members, IHEP, says that policy differences need to be worked out before removing the standard repayment plan as the default option.

In the end, the individual members of the Gates consortium could not reach agreement on many of the report's details. The fact that relatively like-minded organizations are unable to develop a comprehensive agreement on this proposal illustrates how difficult it will be to build a coalition around major reforms to the federal loan programs. In addition to the larger report, NASFAA offered a summary of existing income driven repayment schemes in other countries. YI also put forward its own report on IBR and loan caps.

A summary of the consortium report and briefing is attached with today's edition.

TICAS Ordered to Comply with OIG's Subpoena on Shireman

A US District court ruled The Institute for College Access and Success (TICAS) must turn over certain emails relating to former Deputy Undersecretary of Education Bob Shireman to ED's Office of Inspector General (OIG). Shireman was a major developer of the Obama Administration's proposal to replace the current Perkins Loan Program with a new program that would be larger but with the loans having the same characteristics as Unsubsidized Stafford Loans and loan administration done directly by the Department of Education.

Shireman founded TICAS and is alleged to have maintained excessively close ties during his stints as a consultant to the Department, as well as his time as Deputy Undersecretary during the first years of the Obama Administration. The OIG has been seeking emails from TICAS as part of an ethics investigation of Shireman.

The OIG had issued a subpoena for Shireman's communications with TICAS from February 3, 2009 through February 11, 2011. TICAS is also required to provide the OIG with all communications related to gainful employment and incentive compensation regulations, as well as materials associated with an April 2010 student loan repayment conference.

TICAS claimed the OIG was on a "fishing expedition" in its initial refusal to comply with the subpoena.

"The documents requested are plainly relevant to the ongoing investigation," U.S. District Judge Amy Berman Jackson wrote in the ruling.

The ruling is available online: **https://ecf.dcd.uscourts.gov/cgi-bin/show_public_doc?2013mc0081-21**

Student Veterans and Clearinghouse Partner for Million Records Project

A Student Veterans of America (SVA) report combining data on U.S. college degree attainment with information on veterans who have used Montgomery and Post-9/11 GI Bill benefits shows that 51.7

percent have received a postsecondary degree or certificate, a completion rate similar to traditional college students, and greater than other nontraditional students.

In recent years, the U.S. Department of Veterans Affairs (VA) has processed more than 4 million education claims for student veterans. Until now, there has been no tracking of degree completion rates. The just-released report, part of the Million Records Project, an initiative of SVA, measures for the first time how the most recent generation of veterans perform in higher education.

Among the study's top findings: Although many take longer than traditional students to graduate, most student veterans complete their initial studies and often earn additional higher level degrees as well. Their delayed time-to-completion is due in large part to the unique challenges facing student veterans who are atypical of traditional college students, including age differences, and sometimes pausing their studies to serve in the military, including going overseas.

For this first phase of the Million Records Project, SVA partnered with VA and the National Student Clearinghouse (NSC) to match two sets of data: a randomly selected sample of approximately 1 million Montgomery and Post-9/11 GI Bill veteran education beneficiary records from 2002 to 2010, and U.S. student postsecondary enrollment and completion records collected by the NSC. VA and the NSC removed all personal and institutional identifying information, and duplicates caused by students accessing more than one education benefit. A total of 788,915 records were analyzed, representing approximately 22 percent of the student veteran population receiving GI Bill benefits for that period.

Google, The Kresge Foundation, Lumina Foundation and Raytheon awarded SVA more than $2.2 million in grants to support the project.

The report shows the majority of students complete a bachelor's degree within four to six years; associate degrees within four. Unsurprisingly, many of these veterans do not typically follow the path of traditional college students. Some enroll in college after high school graduation, withdraw to join the military, then re-enroll after military service. Other veterans enroll in postsecondary institutions after they complete their military service; still others earn college credit before, during and after military service but may need to repeat some coursework that was lost due to deployments.

For more information on the Million Records Project, visit: http://www.studentveterans.org/what-we-do/million-records-project.html#home

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.

ACSI, Inc.

AMO Recoveries, Inc

Automated Collection Systems, Inc.

Bass & Associates

Blackboard, Inc.

Campus Partners

Capital Management Services, LP

Ceannate, Inc.

Client Services, Inc.

Coast Professional

ConServe

Credit Adjustments, Inc.

Credit World Services, Inc.

Delta Management Associates

Educational Computer Systems, Inc.

EOS-CCA

Education Assistance Services, Inc.

Enterprise Recovery Systems, Inc.

General Revenue Corporation

Higher One

iGrad

Immediate Credit Recovery, Inc.

JC Christensen and Associates

National Credit Management

National Enterprise Systems, Inc.

National Recoveries

NCC Business Services of America

NCO Financial Systems, Inc.

Premiere Credit

Progressive Financial Services, Inc.

Recovery Management Services, Inc.

Regional Adjustment Bureau, Inc.

Reliant Capital Solutions, LLC

Security Credit Systems, Inc.

Todd, Bremer & Lawson, Inc.

Xerox, Inc.

Williams & Fudge, Inc.

Windham Professionals

NEW DIRECT LOAN CONOSOLIDATION PROCESS

On January 2, 2014, the Dept of Education implemented the first phase of its new consolidation process bringing closure to the existing loan consolidation system and transitioning to a new Direct Consolidation Loan process. As explained in both Electronic Announcements-New Direct Consolidations Loan Process (dated November 27, 2013 and January 7, 2014) the Department is making these changes in preparation for the end of their existing contract. In the first phase of the transition, some consolidation applicants will begin using the new Direct Consolidation Loan process while other consolidation applicants will continue using the existing loan consolidation process. Later, in the second phase, ***all*** applicants will use the new Direct Consolidation Loan process. The second phase is targeted for implementation in spring 2014.

SFA will be sending out further guidance. Look for future Electronic Announcements.

Great Lakes have announced a designated telephone number and implementation team to assist loan holders in getting the new process set up. Contact information can be found at the end of this document

Two Direct Consolidation Loan Processes During Phase One of Transition

Given that we have two Direct Consolidation Loan processes during the first phase of the transition, it is important to understand which applicants will use each process. Regardless of the process used, the primary action on the part of an applicant is to complete and submit the Federal Direct Consolidation Loan Application and Promissory Note.

Existing Process on Direct Consolidation Loans Web Site

A consolidation applicant will use the existing loan consolidation application process on the Direct Consolidation Loans Web site if the applicant

- Has one or more defaulted federal education loans assigned to the Department;
- Needs to take action on an application the applicant submitted via the Direct Consolidation Loans Web site prior to January 2, 2014; or
- Needs to take action on an application the applicant submitted via the Direct Consolidation Loans Web site on or after January 2, 2014.

The Direct Consolidation Loans Web site is available at http://www.loanconsolidation.ed.gov .

Note: If preferred, an applicant will also be able to download and print a paper application from the Direct Consolidation Loans Web site for submission by U.S. mail.

- During Phase 1-Borrower can only use this process (old way) if they have one or more loans held by DMCS (defaulted direct loan or loan assigned to the Dept of Education).
- When a borrower attempts to enter loanconsoldation.ed.gov, the will be asked if they are attempting to consolidate a defaulted loan held by DMCS. If they respond "yes", they will be able to continue to use the existing legacy LC process. If they respond 'no', then they will be routed to studentloans.gov (new way) to complete consolidation through the new process, but if the real-time data feed from NSLDS contains one or more loans held by DMCS, they will be routed to loanconsolidation.ed.gov to use the existing legacy LC process.
- This split process will only be in place during phase 1 but in spring of 2014 will come to end and all consolidations will be through studentloans.gov

New Process on StudentLoans.gov Web Site

A consolidation applicant will use the new Direct Consolidation Loan application process on the StudentLoans.gov Web site if the applicant

- Has no defaulted federal education loans;
- Has one or more defaulted federal education loans, none of which are assigned to the Department; or
- Needs to take action on an application the applicant submitted via StudentLoans.gov on or after January 2, 2014.

The StudentLoans.gov Web site is available at http://www.studentloans.gov

We have outlined the consolidation process from application to payoff in the following pages.

Steps for Borrower under the New Direct Consolidation Loan Process

An applicant who uses the new Direct Consolidation Loan process will sign in to StudentLoans.gov using his or her personal identifiers and Federal Student Aid PIN to electronically complete the Federal Direct Consolidation Loan Application and Promissory Note.

Note: Although the Dept strongly encourages electronic completion of the application, an applicant will be able to download and print a paper application from StudentLoans.gov for submission by U.S. mail.

The electronic application on StudentLoans.gov consists of five steps:

1 – Choose Loans & Servicer

In this step, a National Student Loan Data System (NSLDS) lookup will be performed, and information about an applicant's federal education loans will populate within the application. The applicant will have the opportunity to add loans to and/or remove loans from the information obtained from the NSLDS.

Note- Since the new application process populates from NSLDS, it does not pick up HHS Loans so it is important to remind borrowers to manually add these loans.

Also in this step, an applicant who has at least one loan that is still in the grace period and wants to consolidate that loan will be able to select to have the processing of his or her application delayed until closer to the end of the grace period.

Finally in this step, an applicant will choose the federal loan servicer that he or she wants to complete the consolidation. We have four consolidation servicers (TIVAS)—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae—from which an applicant may choose. If borrower answers "yes" to the question- Are you consolidating for the purpose of Public Service Loan Forgiveness?, then the servicer automatically defaults to PHEAA. There is an enhancement in the works to modify this part of the application since it is misleading. Borrowers maybe choosing this option thinking they will automatically be eligible and not understanding what the requirements are.

2 – Repayment Plan Selection

In this step, an applicant will select the repayment plan under which he or she wants to repay the Direct Consolidation Loan. When making this selection, an applicant who is interested in one of the "income-driven" repayment plans will be able to complete the Electronic Income-Based Repayment (IBR)/Pay as You Earn/Income-Contingent Repayment (ICR) Plan Request as part of the Direct Consolidation Loan process.

3 – Terms & Conditions

In this step, an applicant will review terms and conditions as well as the Privacy Act notice.

4 – Borrower & Reference Information

In this step, an applicant will enter address, contact, employer, and reference information.

5 – Review & Sign

In this step, an applicant will review information and edit, if necessary, before signing and submitting the Federal Direct Consolidation Loan Application and Promissory Note.

Note for the schools-It may be prudent to remind Perkins Borrowers of their lost of benefits when they consolidate their Perkins Loans to a Direct Loan. This is not part of the TIVA's contract and was a regulatory change made by the Dept of Education to disclose loss of benefits. *Need to address this with the Dept of Education.*

Additional Note-This new process has cause a slew of predatory companies who have been contacting students and offering to assist them in the application process for a hefty fee. Please be diligent and remind students although not unlawful these are not government or schools sanctioned services.

Steps for TIVAs under the New Direct Consolidation Loan Process

Once an applicant submits his or her application electronically via StudentLoans.gov or by mailing a paper application, the consolidation servicer will complete the actions required to consolidate the applicant's eligible loans. The consolidation servicer will be the applicant's point of contact for questions related to his or her consolidation application.

1- Review the application and follow up with the applicant as necessary to complete or correct information.

2- Use the Federal Direct Consolidation Loan Verification Certificate to confirm with the current loan holder the eligibility and payoff amount of each loan the applicant wants to consolidate. These LVC's will come from the 4 different servicers. If schools don't respond within 10 days as required, the TIVAS will send a follow up reminder at 15 days. If still no response, at 30 days the Servicers will continue the funding process and book the loan at 30 days using information from NSLDS.

3- TIVA will confirm with borrower all loans provided by the School/Perkins Servicer and process a consolidation loan for those that the borrower has confirmed. Per the TIVAS: "A Loan Summary Statement is sent to the borrower 10 business days prior to funding the loan giving them an opportunity to review the loan information and make changes or cancel the loan if they prefer. After the 10 business days, the TIVA will proceed with funding of the underlying loans and booking the new consolidation loan on their systems." It is a requirement that all TIVAS book the loans within 30 days. An extension has been granted for 60 days until April 1st during Phase 1.

4- Pay off each eligible loan the applicant wants to consolidate. Funding will come from the Dept of Education not the servicers. As indicated earlier the Dept is encouraging ACH Set up for ELECTRONIC PAYMENT to the bank account specified by the Loan Holder. Pre-notification of payment will be sent to Loan Holder contact(s) designated in the ED set up sheet and on the TIVA School/Servicer setup documentation. The Dept will still cut paper checks as of the payoff date. They are then mailed and depending on the postal service will be there within 3-7 days. More funding details to follow.

5- Determine the applicant's eligibility for the repayment plan selected in the application.

6- Begin servicing the new Direct Consolidation Loan.

7- Report the new Direct Consolidation Loan to the NSLDS.

Steps for Schools under the new Consolidation Process

Initial Set Up:

The main difference from the old process is that you will interact with multiple consolidation servicers instead of just one. Also the Dept is transitioning out of the paper process of completing LVC's and cutting checks.

The four consolidation servicers (TIVAS –Title IV Additional Servicers) for the new Direct Consolidation Loan process—FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae—have been reaching out to loan holders and servicers to establish preferences and contacts for the exchange of verification certificates and payoff manifests. *If you have not received notification from any of the companies please reach out to any one of them as soon as possible so you can initiate set up. We have provided contact information at the end of this document. Great Lakes have set up a special implementation team with a unique telephone found at the end of this document.*

Perkins Loan Billing Servicers:

Some schools may opt out and have their Perkins Loan Billing Servicers handle all their LVCs and Payoffs, if so please forward that contact information to the TIVAS to set up new the process with your Servicer. Please remember if you have your Servicer complete your LVCs for your past due loans, it is ***imperative*** *that they contact the Collection Agency for payoff information to decrease the number of over/under payments. Please forward your agencies client service contact information to your Perkins Servicer. The agencies and Services need to work very closely with schools to ensure accurate payoffs and prompt reporting of payments.*

How to set up data transfers with the TIVAS. Complete the information on the data form and choose the following options:

1- Complete data form information required by the 4 (TIVAS) in order to gather contact information, complete LVC's, under and overpayment information and receive manifests. One data form is to be completed, returned to one servicer and will be shared with all the other Servicers. If you have not received information from any of the 4 servicers, please reach out to one of them to ensure you are set up with the new process. TIVA's are working diligently to set up loan holders for an electronic method of delivery in other to avoid time delays and manual error. We have provided contact information and a copy of the data form used to gather required information.

You will have three choices on how to receive your documentation:

- Encrypted Password Protected Email
- Each Servicer will have a loan holder web portal and will provide Id and passwords
- SFTP

All TIVAS will be using the eLVC file layout for both the .txt and .csv files except for one exception being Great Lakes' .csv file. File layouts available will be as follows:

SLMA - .txt file only (eLVC File Layout)
PHEAA - .txt file only (eLVC File Layout)
Nelnet – .csv and .txt (eLVC File Layout)
Great Lakes –

- **.csv (A combination of the paper LVC and response fields from the eLVC)**
- **.txt (eLVC File Layout)**

Paper LVCs are still an option although not listed on the form, we have been told by the TIVA's they can elect to continue to receive paper LVCs to complete and mail or fax back to each Servicer. Need to write the word "Paper" on the signup form. However, the file transfer is the only option for receiving under and overpayment information and manifest.

2- Contact the Angela Roca-Baker with the Accounting Division-FCAOB to set up ACH Funding or confirm that checks will be mailed to the right location either to you the school or the servicer. Her contact information is 202-377-3322 or email angela.roca-baker@ed.gov. The Dept is sending checks for now but is strongly recommending that everyone set up ACH to avoid time delays. It has been confirmed that checks are cut as of the payoff date. They are mailed and depending on the postal service and the university will be there within 3-7 days. We have also confirmed that funding will be sent to only one location specified by the school. If even you are set up to receive electronic funds from the old process confirm with Ms. Baker that the electronic funds will continue and the information will roll over into the new system or if you will need to complete a new set up paperwork.

Steps To Be Taken By Schools during an actual consolidation:

3- Complete the Federal Direct Consolidation Loan Verification Certificate within 10 days of the date received. This timeframe is pursuant to 34 CFR 685.220(f)(1)(i). The TIVA's will either mail the paper LVC or send an email to notify the LVC is ready to be completed.

- The school or Perkins Servicer will be responsible to populate the LVC upon receipt. It will not be populated with any loan information from NSLDS. Only the borrower information will be populated (SSN, Name, etc. as in Section 3 on current paper LVC). School or Perkins Servicers will respond --- adding in any and ALL eligible DHHS or Perkins loan information to the LVC. It is imperative for schools to return LVCs within 10 days to avoid improper funding. The TIVAs will fund using information from NSLDS if they don't receive verification from the school because they are required to by contract to fund within 30 days.

- When completing LVCS make sure you use the Loan Type "F" in the field where that is required. Do not type in Perkins. It causes a programming error.

- Be certain when completing the proper fields not to create any additional errors. Actual Costs need to populate the Late Fee Field not the Collection Cost Field. If the TIVA's are processing a LVC that has the status of Satisfactory Repayments and the Collection Cost Field is populated they will reject it.

- It has been discovered that an enhancement needs to be made by SFA to update how we list Perkins Loans on the LVCS.   Currently the TIVAS have been requesting that LVCS be completed as reported on NSLDS. As of 2008 Perkins Loans are required to be reported on NSLDS by disbursements. Currently the format requires that you list each disbursement on each LVC. (Example-3,000 Perkins loans with three separate $1000 disbursements would be recorded on 3 different lines at $1000 each not a lump sum of $3,000). Great Lakes has created a "work around" and will except LVCs with one lump sum. It is our understanding that the other TIVAs will follow suit and SFA will make the enhancement to correct this issue so schools can just report one lump sum.

- Note-The existing paper forms expires this month. The new form is in OMB Clearance and once clearance is received, the eLVC will be modified accordingly and the new file layouts will be provided from the TIVAS.

4- A notification will be sent to School/Servicer contact(s) to retrieve your manifest. Electronic Wire payment detail will not include borrower name or SSN, but will include the manifest number for the School/Servicer to identify the borrower associated with the payment. This documentation will be utilized for the reconciling and posting of payments received.

Detailed Funding Process In Order:

- TIVAS will send files to SFA for release of payment (3 days prior to funding)
- Email (pre-notification) goes to the school from the TIVAS with Payoff Date and Total
- 3 days prior to funding Manifest (detail/breakdown of funds) are available with ID# to use for payment reconciliation. This will come in the delivery method you have set up with the TIVAS.
- The day the loan fund, FSA sends an email from with payment amounts and manifest #
- Payment is received-ACH will have an addendum with the manifest # and paper checks will also list manifest # to tie payments to apply to proper account

5- Report the underlying loan to the NSLDS as Paid in Full through Consolidation once the payoff amount is received.

6- Work with the consolidation servicer to resolve underpayments and overpayments using electronic file layouts as set up with the servicers via file transfers. New file layouts have been designed for this process.

Short Pay/Overpay information will be generated by School/Servicer to the TIVAS as it is today. However, the School now must use one of the approved templates to submit the information to the appropriate TIVA for any short-pay or over-pay received. When the consolidation payment received does not pay the loan in full and the shortage is $25 or more, the TIVAS will make the additional payment upon the request of the loan holder. Schools may choose to write off underpayments that are less than $25. Schools will also still be responsible for returning any overpayment refunds to the appropriate TIVA if a consolidation overpays the borrower by $10.00 or more. Each TIVA will have instructions on how to handle the overpayments. Before processing refunds, please verify that you have reviewed the accounts for any collection cost adjustments needed to ensure borrower pays all costs associated with their debt. The TIVAS prefer to receive the refunds via ACH, but will accept check payments. Overpayment refunds also require the appropriate template be used to return funds to the TIVA.

Direct Loan Consolidation Origination Contact Information

This document provides contact information for U.S. Department of Education servicers regarding Direct Loan Consolidation Origination.

Great Lakes

Department or Contact	Phone Number	Other Contact Information
Borrower Inquiry	(800) 236-4300	**Email Address:** myconsolidation@glhec.org
Loan Holder Inquiry	(866) 348-0714	**Email Address:** originationservices@glhec.org
Loan Verification Certificates (LVCs)	N/A	**Fax:** (888) 889-6952 **Mailing Address:** Great Lakes Consolidation Department PO Box 8956 Madison, WI 53708-8956
Returning Overpayments via Automated Clearing House (ACH) or Wire Transfer	N/A	**Remittance Express Account (REXX)** • **ACH Routing Number:** 051036706 • **Wire Routing Number:** 021030004 • **Account Number:** 891020009002
Returning Overpayments via Check	N/A	**Mailing Address** Department of Education Great Lakes PO Box 740199 Atlanta, GA 30374-0199
Special Implementation Team	(855) 412-5731	**Email Address:** originationservices@glhec.org
Website	N/A	https://www.mygreatlakes.org
Hours	N/A	Monday – Friday 8:00 a.m. – 4:30 p.m. Central time

Nelnet

Department or Contact	Phone Number	Other Contact Information
Borrower Inquiry	(866) 426-6765	N/A
Loan Holder Inquiry	(855) 554-0050	**Email Address:** nelnetdirectloancons@nelnet.net **Fax:** (402) 858-3989
LVCs	N/A	**Mailing Address** Nelnet Consolidation Department PO Box 82658 Lincoln, NE 68501-2658
Returning Overpayments via ACH	N/A	**REXX** • **Routing Number:** 051036706 • **Account Number:** 891020010002
Returning Overpayments via Check	N/A	**Mailing Address** Department of Education PO Box 740283 Atlanta, GA 30374-0283
Website	N/A	http://www.nelnet.com
Hours	N/A	Open 24 hours

Pennsylvania Higher Education Assistance Agency (PHEAA)

Department or Contact	Phone Number	Other Contact Information
Borrower Inquiry	(800) 699-2908	N/A
General Contact (For All Direct Loan Consolidation Origination-Related Questions)	N/A	**Email Address:** directloanconsol@myfedloan.org
Loan Holder Inquiry	(717) 720-2110	**Fax:** (717) 720-3101
LVCs	N/A	**Mailing Address** FedLoan Servicing (PHEAA) PO Box 69184 Harrisburg, PA 17106-9184
Returning Overpayments via ACH	N/A	**REXX** • **Routing Number:** 051036706 • **Account Number:** 540037

Department or Contact	Phone Number	Other Contact Information
Returning Overpayments via Check	N/A	**Mailing Address** Department of Education FedLoan Servicing PO Box 530210 Atlanta, GA 30353-0210
Website	N/A	http://www.myfedloan.org

Sallie Mae

Department or Contact	Phone Number	Other Contact Information
Borrower Inquiry	(800) 722-1300	N/A
Loan Holder Inquiry	(317) 578-6176	N/A
LVCs	N/A	**Mailing Address** SLMA ATTN: ED Loan Consolidation PO Box 6180 Indianapolis, IN 46206-6180
Returning Overpayments via ACH	N/A	**REXX** • **Routing Number:** 051036706 • **Account Number:** 891020011002
Website	N/A	http://www.salliemae.com/federalloans
Hours	N/A	Monday - Friday 8:00 a.m. - 8:00 p.m. Eastern time

U.S. Department of Education

Department or Contact	Phone Number	Other Contact Information
Bank Account Setup	(202) 377-3322	**Contact Name:** Angela Roca-Baker **Email Address:** angela.roca-baker@ed.gov

To: COHEAO Members
Fr: Wes Huffman
Re: Gates RADD Consortium Paper on "Auto-IBR"
Date: March 21, 2014

Billed as "Phase II" of the Gates Foundation's Reimagining Aid Design and Delivery (RADD) initiative, a consortium of organizations was tasked with addressing income driven repayment for federal student loans. The group released a paper yesterday, "Automatic for the Borrower: How Repayment Based on Income Can Reduce Loan Defaults and Manage Risk," which calls for the creation of a single, automatic Income Based Repayment system in which federal student loan servicing would largely be replaced with an employer withholding scheme.

The consortium includes NASFAA, Young Invincibles (YI), the Institute for Higher Education Policy (IHEP), the New America Foundation (NAF), HCM Strategists, and the Committee for Economic Development (CED). Representatives from each of the organizations gathered for a panel discussion moderated by Libby Nelson of Vox Media at CED's offices yesterday.

Rory O'Sullivan of YI gave opening remarks at the luncheon event. He attempted to frame the student debt issue as a "repayment crisis." He spoke of the drastic consequences of default on a federal student loan, noting in some cases the penalty "can even include wage garnishment."

Agreement in Principle, But Not on Details

The paper and the discussion highlighted widespread agreement among the group around the concept of a payroll withholding scheme employers. The panelists also agreed certain safeguards were needed to prevent their "auto-IBR" plan from being misused to address college affordability.

The panelists indicated the proposal was loosely based on Rep. Tom Petri's (R-WI) EXCEL Act, but the group could not agree on how repayment terms, such as length of repayment, borrowing caps, caps on forgiveness, excluded income, etc., should be changed to fit this new model. In lieu of a comprehensive agreement, the paper describes a variety of options for the various checks on this auto-IBR scheme.

Despite an agreement on general principles, the individual members of the consortium could not agree upon the appropriate terms and conditions of this proposal. Given the group's support for the concept, the disagreement over some key details makes it difficult to see how a coalition of stakeholders, much less Congress, can coalesce around a change of this magnitude.

However, the organizations did agree on five core principles for an effective "auto-IBR" formula. They are as follows:

1. ***Safety Net:*** *The terms should provide a safety net to borrowers who unexpectedly find their loan balances temporarily or permanently unaffordable. The terms should not, however, create an expectation that debt can rise unchecked and be accommodated through loan forgiveness or extended loan terms. Auto-IBR should not aim to cover a portion of the cost of a postsecondary credential; that is the role grants should play in the*

federal aid system. Grant aid, such as the Pell Grant, more effectively targets federal tuition assistance and should remain the primary tool for offsetting tuition for low-income students.

2. ***Sustainability:*** *The auto-IBR terms should be fiscally sustainable.*
3. ***Unintended Consequences:*** *The auto-IBR terms should minimize incentives students might have to engage in unnecessarily risky borrowing (i.e. moral hazard), and limit the incentives schools might have to charge higher prices than they otherwise would.*
4. ***Fairness:*** *Auto-IBR should be designed to benefit borrowers who most need it, in a fair and equitable manner.*
5. ***Simplicity:*** *The ideal terms should be simple and straightforward, so borrowers can understand them and employers can easily administer them through employer withholding.*

Employer Withholding

The report also details how an employer withholding scheme might work. When pressed by Nelson on the responses of employers, the panelists acknowledged they had not formally surveyed the business community, but informal discussions and the advice of the office of auto-IBR advocate Rep. Tom Petri (R-WI) indicated it could be workable. CED's Michael Petro did indicate he would survey CED members on the potential burdens.

All of the panelists said they thought existing wage withholding, such as for retirement or pre-tax transportation fees, imposed a minimal burden on employers, but also acknowledged a simple formula would go a long way toward employer buy-in. Jason Delisle of NAF stated the federal government spends $400 million annually in student loan servicing costs and suggested the lion's share of those funds could be used to mitigate additional costs associated with a conversion to this system.

At the briefing, Karen McCarthy of NASFAA indicated her organization took the lead on the employer withholding aspect of the report and reached the conclusion that it is the only mechanism to effectively implement the proposed auto-IBR plan. McCarthy indicated NASFAA still saw a role for student loan servicers because of opt-out provisions, the self-employed and other reasosn, but NAF's Delisle noted with a smile that the servicers' role would be greatly diminished.

The paper is clear that borrowers would have the ability to opt out of the withholding scheme, but the authors believe very few will. Delisle constantly referred to the tax system, suggesting very few rational wage earners would choose to submit monthly tax payments to the IRS. However, when the panelists were pressed on the take-up rates of non-compulsory withholdings, such as retirement funds, they could only point to research that shows individuals are much more likely to participate in these withholding schemes when they are automatically opted-in.

Unintended Consequences

The consortium agreed the adoption of their proposed automatic-IBR could have unintended consequences, particularly if states and institutions see the repayment system as an affordability tool. The organizations also agreed that the current terms of IBR/PAYE would be unsustainable if auto-IBR was the predominant repayment plan, as the authors envision.

Consortium members could not agree, however, on how to address these issues. Therefore, the paper provides numerous options for the various "checks" for auto-IBR, including capping loan amounts, capping loan forgiveness, and changing the formula for how long and how much individual borrowers pay. Each of these options has numerous trade-offs for policymakers, which are described in the report.

Automatic IBR as an Accountability Tool?

According to the panelists, institutional accountability and automatic-IBR was one the most debated topics within this consortium. Mamie Voight of IHEP noted that Cohort Default Rates (CDRs) would no longer be a useful tool if auto-IBR was as successful at preventing delinquency and default as the paper promises. Therefore, the consortium recommended that several new accountability measures be put in place.

In many ways, these measures mimic the Gainful Employment loan repayment metrics currently under debate in a Department of Education regulatory procedure. The report states that debt-to-earnings ratio are an "indirect and incomplete" accountability measure for auto-IBR, while the repayment rate would offer a "bare minimum" accountability measure. The paper acknowledges anything beyond these rates would increase program complexity, but suggests a "Repayment Progress Measure" would be the most appropriate way to effectively evaluate institutions under this proposed repayment scheme.

A Repayment Progress Measure could come in many forms, such as the proportion of borrowers on track to repay their loans in a 10-year term, the average projected years of repayment for a given cohort after several years of initial repayment, and so on. The authors on multiple occasions point to the complexity of such these type of accountability metrics, but also indicate they would provide the most complete picture on which programs and institutions are "working" under an auto-IBR scheme.

The paper also calls for comprehensive accountability measures centered around metrics pertaining to auto-IBR and loan repayment. In order to provide full accountability for institutions, auto-IBR repayment metrics must be combined with other measures of pricing, access, and completion to be truly effective. The paper explores a variety of options for these accountability metrics in some detail, including risk sharing.

It is important to note that the paper states that NASFAA does not agree with the proposed accountability measures. For NASFAA's views on institutional accountability, the paper refers readers to the organization's earlier Gates RADD proposals.

Conclusion

At the close of the first round of the Gates RADD reports it appeared there was near universal agreement on automatic IBR among the groups that received grants to write the reports. However, as the work of this consortia shows, when it comes to student loans, the devil is always in the details, and it is very hard to reach consensus. Given that this group was unable to reach a comprehensive agreement, passage of such major reforms will be difficult. Nevertheless, the paper and event illustrate a trend toward proposals that remove all aspects of traditional consumer finance from the experience of paying for college.

Additional Information
The full report is available online: http://younginvincibles.org/2014/03/automatic-income-based-repayment/
A press release from the consortium members is available online: http://younginvincibles.org/2014/03/groups-release-joint-proposal-to-strengthen-income-based-repayment-program/

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