The

Torch

April 10, 2015

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

COHEAO

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  Registration is now available for the **2015 COHEAO Mid Year Conference**, hosted Chicago July 26-28. - sign up today!
- **COHEAO Hosts SCRA Webinar**
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  The Democratic Congressional Campaign Committee announced that it launched a two-week ad campaign targeting 15 House Republicans who they claim are threatening college affordability and Pell Grants.
- **GAO Report Finds Fault with TEACH Grants—Notes Aid Administrators Prefer Perkins Loans**
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White House & Administration

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- **New FSA IFAP Announcements: Federal Perkins Loan Program Orange Book, COD Processing Updates, Processing Aid and Managing FSA Funds Handbook, Loan Servicing Information Customer Service Performance Reports**
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Industry

- **Corinthian Student Debt Strike Meets with US Officials, Nine State AGs Call on ED to Forgive Loans**
  Members of the "Corinthian 15" met with CFPB Student Loan Ombudsman Rohit Chopra, Undersecretary of Education Ted Mitchell, Treasury officials, and several representatives from state attorneys general offices regarding their "debt strike" last week.
- **Washington AG Sues Company over Student Loan Practices**
  On Monday, Washington Attorney General Bob Ferguson filed a lawsuit again StudentLoanProcessing.US (SLP), a student loan processing company, accusing them of exploiting student loan borrowers for profit.
- **College Students Feel Ill Equipped to Manage Money**
  The third-year results of *Money Matters on Campus,* a survey of 43,000 college students across the U.S., show that students are taking out more and larger student loans, yet report feeling less prepared to manage their money than any other aspect of college life.
- **CEF Budget Book Released**
  The Committee for Education Funding (CEF) has released their budget book, "Education Matters: Investing in America's Future", a detailed analysis of the President's FY 2016 budget.
- **CAP Releases Report on Wage Withholding for Student Loan Repayment**
  In February, the Center for American Progress (CAP) announced its College for All plan, a proposal for universal, affordable higher education. CAP states that the government must increase college accessibility by providing financial support to every high school graduate and by minimizing student-loan debt.
- **AASCU Releases the 2015 Gubernatorial State of the State Addresses and Higher Education**
  The American Association of State Colleges and Universities (AASCU) released a roundup of the 2015 gubernatorial State of the State addresses and all mentions of higher education.

COHEAO

Register Today for the 2015 COHEAO Mid Year Conference in Chicago

Registration is now available for the **2015 COHEAO Mid Year Conference**, hosted Chicago July 26-28. - sign up today!

Join us for informative sessions on regulatory and legislative matters, compliance, and operations in campus-based loans and student financial services. Set to take place at the beautiful **Fairmont Chicago Millennium Park** in downtown Chicago, the 2015 COHEAO Mid-Year features engaging and informative conference programming at affordable prices – which are the same as last year. Sessions planned include: COHEAO's legislative update and perspective, a Department of Education update on the budget and potential HEA reauthorization, Perkins Loan Program expert panel, a discussion on financial responsibility agreements, guidance on developing an institutional loan program, and much more.

Don't wait to sign up - early bird pricing for all members is $460, and the institutional non-member fee is $560 until June 12th. The institutional non-member fee is $560 until June 12th, and the commercial non-member rate is $1,610. Fees increase by $50 to the standard rate after June 12th.

COHEAO has also secured a good rate for a single or double room in central Chicago at **$189 per night** at the Fairmont for all conference delegates that book their rooms by July 2nd. Rooms are available in limited amounts three days before or after the dates of the conference, and the COHEAO rate includes free internet access in guest rooms and free access to the fitness center. Follow the link here to book your room. You may also call the hotel to make reservations - be sure to mention you are attending COHEAO's Mid Year Conference - at 1 (800) 441-1414.

Click here for more details on a program that is sure to be informative and engaging. We hope to see you in the Windy City this July for another fantastic COHEAO Mid Year Conference! Register today!

Please contact Hannah Allen with any questions: hallen@wpllc.net

COHEAO Hosts SCRA Webinar

On March 31, COHEAO hosted a webinar, "Servicemember Civil Relief Act (SCRA): What You Need to Know." The event featured a presentation from David Heard, a partner practicing in Consumer Collections, managing the Education Loan Collection & Litigation Group, which assists lenders, services and guarantors of student loans, as well as colleges and universities, with the recovery of their education related debt.

This session dived deep into the SCRA, including who is covered, applications, material effect, and the protections the act sets forth. David also discussed findings and enforcement activity surrounding violations of the act.

Highlights of David's presentation:

- The SCRA's purpose is to postpone or suspend certain civil obligation to allow service members to devote full attention to duty and relieve stress on the family members of those deployed servicemembers. Examples of obligations protected against include outstanding credit card debt, mortgage payments, pending trials, taxes and terminations of lease.

- Protection applies to all active members of the U.S. Armed Services, members of the Reserves and National Guard called to active duty, dependents that the member provides more than half of their support for the 6 months preceding the request for relief. Servicemember must be jointly liable for protection from an obligation.
    - This is important for student loan cases. For example, lets say a father is called to duty but is not a cosigner on his son's student loans. Since the servicemember is not a cosigner, the child must still pay debt and is not protected under SCRA. However, let's say a student is a servicemember and his grandfather cosigned on his student loans. If the student is called into active duty, his grandfather is protected and does not need to pay debt for time being.
- Protection is not automatic and servicemember must apply for protection and demonstrate he/she is materially affected by his/her active duty. Must submit proof of mobilization and placement on active duty, along with notice to invoke SCRA. Protection extends from first day of active duty through 30-90 days after discharge.
- Obligaiton is only eligible for protection if entered into prior to active duty. Active duty begins upon induction, when orders are received.
- Servicemembers may waive SCRA protections.
- The 6% interest rate cap is the most debated topic of SCRA. If material affect is established, the servicemember's debt cannot accrue an interest rate in excess of 6%, an adjustment is made to the monthly payment to reflect the lower interest rate, and the difference may not be collected.
- Servicemembers only need to apply once.
- Rate cap may apply to dependents so long as they are jointly liable on the obligation with the servicemember.
- The burden is on creditor to seek relief by proving servicemember is not materially affected by service.
- The CFPB has deemed service members as a special class that needs protection. In 2012 the bureau released a paper on the SCRA and student loan debt. There were a total of 14,100 complaints to CFPB logged by servicemembers, veterans and their families. Only 400 were related to student loans, but CFPB still sees as an area of high priority.
- Common servicemember student loan complaints were that they felt servicer was not familiar with SCRA, limited deferment options when servicemember was unable to find a job, collection tactics, requests for documentation not required by SCRA and difficulty communicating.

If you are interested in viewing an archived version of the presentation, please contact Hannah Allen (hallen@wpllc.net)

COHEAO Perkins Grassroots Campaign Gaining Momentum

In our ongoing advocacy efforts to save the Federal Perkins Loan Program, COHEAO's grassroots campaign with state leaders has been picking up momentum this spring. A number of states have been identified as constituents of key influential members of congress that sit on the Senate and House education committees or otherwise have connections to campus based loan programs.

COHEAO is conducting advocacy calls connecting financial aid leaders at colleges and universities in these states with staff of their Representatives and Senators to discuss the importance of the Perkins Loan Program to their campuses and students.

Thus far, COHEAO has held calls with critical offices in Tennessee, Minnesota, Washington, Kentucky, North Carolina, and others. Capitol Hill staff have responded well to the personal stories and state-specific information provided by Perkins advocates. Contacts with engaged groups of constituents are having a positive impact.

Our outreach to these critical states will continue. Upcoming calls will also include the following states: Illinois, Virginia, and Pennsylvania. And, at the end of the day, *all* states will be important to preserving the Perkins Loan Program.

Please contact Hannah Allen (hallen@wpllc.net) if you are interested in participating in future advocacy calls.

Congress

Senate HELP Committee Releases Bipartisan ESEA Compromise

On Tuesday, The Senate, Health, Education, Labor and Pensions (HELP) Committee released a bipartisan agreement to reauthorize the *Elementary and Secondary Education Act* (ESEA), dubbed the "Every Child Achieves Act." At a morning briefing earlier, staff from the offices of both Chairman Lamar Alexander (R-TN) and Ranking Member Patty Murray (D-WA) shared the top-level details of the negotiated bill and announced that the proposal would be marked up by the Committee beginning Tuesday, April 14th at 10:00 a.m. Debate and consideration of amendments could last through Friday, April 17th, depending on the Senate calendar and the number of amendments considered. (Committee Members must submit amendments by 10:00 a.m. on Monday, April 13th.)

Not surprisingly, the bill proposes a significant reduction in the federal role in K-12 education while preserving some accountability requirements.

Alexander and Murray staff noted that the compromise is not a bill either of them would have written, but noted that each is committed to a bipartisan process to revise ESEA, which was last reauthorized in 2002. Chairman Alexander's staff also highlighted that Senate leadership has signaled its willingness to give Chairman Alexander the floor time he will need to get a bill approved by the Senate, assuming a markup of the bill is productive.

If the HELP Committee is able to approve a bipartisan bill, it is an incredibly strong sign for potential action this year. However, it remains to be seen how a bipartisan bill may make it through the more conservative House. Regardless of what happens on the floor, should the HELP Committee move ahead with a bipartisan ESEA bill, it clears the way for the HELP and Education and the Workforce Committees to focus on HEA reauthorization.

For information on the key parts of the agreement, see: http://blogs.edweek.org/edweek/campaign-k-12/2015/04/senate_education_leaders_close.html?cmp=SOC-SHR-TW&override=web

DCCC Targets GOP on College Affordability

The Democratic Congressional Campaign Committee announced that it launched a two-week ad campaign targeting 15 House Republicans who they claim are threatening college affordability and Pell Grants. The campaign comes as members of Congress head home to their congressional districts for Easter recess.

The committee will be running ads in campus newspapers in the representatives' home districts. The ads target these Republicans for not supporting Pell Grants.

Roll Call reports, "The 15 members either voted for the House Republican budget — which calls for 10-year freeze to the maximum Pell Grant award, currently set at $5,775 — or, they voted against both the GOP budget and the budget submitted by House Democrats, which maintained funding levels for the Pell Grant program." Several of the 16 college campuses the group is targeting have Pell student populations far above the national average.

All 15 of these members are top Democratic targets in 2016, when the Democrats are looking to gain 30 seats to win House control.
The campaign committee will be running ads at the following college campuses, targeting these 15 House Republicans:

- University of Arizona: Rep. Martha McSally of Arizona
- University of South Florida: Rep. David Jolly of Florida
- University of Miami: Rep. Carlos Curbelo of Florida
- Florida International University: Rep. Carlos Curbelo of Florida
- University of Northern Iowa: Rep. Rod Blum of Iowa
- Iowa State University: Rep. David Young of Iowa
- Southern Illinois University: Rep. Mike Bost of Illinois
- University of Maine: Rep. Bruce Poliquin of Maine
- University of Minnesota Twin Cities: Rep. John Kline of Minnesota
- University of New Hampshire: Rep. Frank Guinta of New Hampshire
- University of Nevada Las Vegas: Reps. Joe Heck and Cresent Hardy of Nevada
- Stony Brook University: Rep. Lee Zeldin of New York
- Syracuse University: Rep. John Katko of New York
- Temple University: Rep. Ryan Costello of Pennsylvania
- Lincoln University: Rep. Ryan Costello of Pennsylvania
- George Mason University: Rep. Barbara Comstock of Virginia

For more information, see: http://atr.rollcall.com/elections-2016-dccc-college-affordability/

GAO Report Finds Fault with TEACH Grants—Notes Aid Administrators Prefer Perkins Loans

The Government Accountability Office (GAO) released a report recently that states a third of more than 112,000 students who have received federal Teacher Education Assistance for College and Higher Education (TEACH) Grants have had their grants converted to unsubsidized loans.

TEACH Grants give prospective teachers up to $4,000 a year for committing to teaching in low-income school districts for at least four out of eight years after graduation. If recipients of the grant do not follow through with this commitment, the grant is turned into a loan.

About 36,000 of the TEACH Grant recipients have seen their grants turn into loans and 2,250 of those were incorrectly converted due to faults of the loan servicer. The Department does not collect data to figure out why grant recipients fail to meet the requirements, even though there is some available data from the loan servicer on this topic.

Recently, the program has been under fire for its complexity and college administrators complain that many teachers aren't aware of the grant or find its requirements confusing. *Education Week* reports, "Indeed, the GAO found that the TEACH grant has been falling in popularity in recent years. And financial-aid officers, in the agency's focus groups, appeared to prefer the Perkins loan-cancellation program, which begins to cancel a candidate's loan after just one year of teaching service."

The GAO concludes that the Education Department needs to do a better job at investigating these errors and understanding the difficulties recipients face that lead to the high conversion rates. It also recommends establishing performance measures for the program. The Education Department has said that it agrees with these findings.

Education Week adds, "The report comes during a period of increased scrutiny for the TEACH grant. Under its proposed (and unpopular) teacher-preparation regulations, the Education Department plans to withhold TEACH grants from teachers' colleges whose graduates aren't going on to improve student learning."

- For coverage from Education Week, see: http://blogs.edweek.org/edweek/teacherbeat/2015/03/GAO_a_third_of_TEACH_grants_convert_to_loans.html
- For the GAO report, see: http://www.gao.gov/products/GAO-15-314

White House & Administration

ED Negotiated Rulemaking on IBR and SCRA Continues

At the Office of Postsecondary Education at 20th and K Streets in Washington, a group of about 20 negotiators representing various stakeholders sat around a hollow rectangle of tables and went line by line through the Department's draft proposed regulations modifying the current Pay As You Earn rules to be called Revised Pay As You Earn or "REPAYE" (we're not kidding).

The committee also went through proposed revisions to the Servicemembers Civil Relief Act regulations for FFELP loans. The SCRA regulations will require loan holders to match their database against the Department of Defense's Defense Manpower Data Center database to identify active duty servicemembers eligible for SCRA benefits. Effective July 1, 2016, the matches will have to take place monthly.

A negotiator representing veterans groups repeatedly pointed out that the DOD database often contains errors; the proposed regulations give borrowers alternative means of showing their lender that they are on active duty, such as providing their orders or a certification from an authorized official. Under the SCRA, no lender can charge a servicemember on active duty more than 6 percent interest, including fees, for loans taken out before the duty starts.

The negotiations have one more round to go, April 28-30. Consensus seems likely as the discussion is not particularly contentious, but it could falter over details in the REPAYE rules, or over demands by consumer groups that the rules be more generous than the Office of Management and Budget (OMB) will allow. The Department's negotiator said that the OMB has yet to complete its review of the cost of the REPAYE draft regulations.

Last Wednesday, the Department negotiators revealed some interesting statistics about the use of the current income based repayment plans. During academic year 2013-14, about 57 percent of Direct Loan borrowers enrolled in IBR failed to certify their income by the deadline to do so in order to remain in IBR. This certification generally must be done every year.

For the remaining FFELP loans, which are older as they had to be originated before July 2010, 40 percent failed to certify by the deadline. Borrowers who don't provide the required income information on time automatically revert to standard repayment plans. About a third of borrowers re-applied successfully for IBR within six months but most either switched to forbearance or deferment or became delinquent on their debt.

The special web page set up for these negotiations by OPE can be found here:
http://www2.ed.gov/policy/highered/reg/hearulemaking/2015/index.html#info

Default Rate Appeals Changes Likely to Benefit Community Colleges

During last week's negotiated rulemaking meetings, officials revealed a draft plan to expand the conditions under which a college can appeal a high default rate without losing the eligibility for federal student aid on the basis that a small percentage of its students take out money through the federal government.

This change to the appeal option would most likely benefit community colleges the most, where typically few students take out loans to pay for their education and default rates are often higher.

Inside Higher Ed reports, "Colleges with default rates high enough to trigger sanctions -- 30 percent for three years or 40 percent in a single year -- can generally avoid penalties if fewer than one in five of their students take out federal loans. But currently colleges can only use that option when they're on the verge of losing federal aid. For example, a college whose default rate exceeds 30 percent for two years in a row is not allowed to appeal until the third year above 30 percent."

Many colleges have decided that they are unwilling to take the risk of having to wait that long to appeal, particularly with access to *all* Title IV aid is on the line. This has led some institutions to stop giving out federal loans all together.

The draft proposal would allow colleges to appeal their default rate based on a low rate of loan borrowing any year in which their default rate is 30 percent or greater. Around 46 community colleges had default rates last year of 30 percent or greater and the Institute for College Access and Success, estimates that as many of 21 of those schools would be eligible for the appeal.

Inside Higher Ed adds, "The administration's proposal to rewrite regulations to expand the appeal option comes after it last year granted an executive reprieve to nearly two dozen colleges facing penalties for their high default rates. The action drew criticism from consumer advocates as well as Democratic and Republican members of Congress."

The administration is currently proposing a July 2017 date for the new appeals process. Negotiations will continue on April 28.

For coverage from Inside Higher Ed, see: https://www.insidehighered.com/news/2015/04/07/us-proposes-easier-default-rate-appeals-community-colleges

For the draft proposal, see: https://www.documentcloud.org/documents/1719841-ed-dept-default-rate-appeals-proposal.html

ED Sends Out "Dear Colleague" Letter on Loan Counseling and Flexibility

On Monday, the Education Department sent out a "Dear Colleague" letter stating that colleges may now exercise increased flexibility in their loan counseling beyond the federally mandated "statutory and regulatory requirements." The letter states that as part of loan entrance counseling programs, colleges can require students to take a test of the material presented, complete a budget or other exercises aimed at increasing student's understanding of the implications of borrowing. However, the letter clarifies that these actions cannot "unreasonably" impede students' access to a loan. For example, it cannot require a passing score for the test before the student can receive a Direct Loan.

The letter includes a large Q&A section and mentions a new parent PLUS Loan specific counseling tool that will be made available this summer. The tool will include a repayment calculator where parents can get an estimate of monthly repayment amounts.

The letter also mentions that its Financial Awareness Counseling Tool, an "online interactive resource that provides students with basic financial literacy and information," is available for students to use in learning about both their federal and private student loan debts.

For the "Dear Colleague Letter," see: http://ifap.ed.gov/dpcletters/attachments/GEN1506.pdf

ED Shares List of Schools on "Heightened Cash Monitoring"

Last Tuesday, the U. S. Department of Education released the names of more than 550 colleges the agency has placed under increased financial oversight. The Department made the list public for the first time after a report by *Inside Higher Ed* criticized the agency for denying their open-records request and failing to respond to the publication's November appeal of that decision.

The schools were placed in two tiers of so-called heightened cash monitoring for reasons such as late financial statements, outstanding liabilities, and accreditation issues. This morning, the Department named the remaining 20 colleges that it had originally withheld from the public list due to ongoing investigations. Most of the newly identified schools are small for-profit colleges and beauty schools and the majority have restricted access to federal funds because audits have uncovered "severe" problems. There are three public institutions on the new list. In addition, the Department announced last Friday that it had updated its entire list of institutions facing cash monitoring and had removed a dozen schools from the list and added one more.

Undersecretary of Education, Ted Mitchell said, "Heightened cash monitoring is not necessarily a red flag to students and taxpayers, but it can serve as a caution light. It means we are watching these institutions more closely to ensure that institutions are using federal student aid in a way that is accountable to both students and taxpayers." Mitchell said the list was released to the public as part of the Obama administration's effort to increase transparency and accountability within higher education.

The vast majority are on the list for relatively minor transgressions, such as sending in an audit report late. Being one day late with audit report means the school for the next couple of years has to delay seeking federal aid funds from the Department, which could cause a cash flow problem. Schools in the Minnesota State Colleges and Universities System appear on the list, for example, because the state missed the deadline for submitting materials to the federal government as they were working through an accounting-system conversion. Now, the schools need to wait five years until they can be removed from the list.

The Chronicle of Higher Education reports, "Of the 556 colleges on the list as of March 1, 69 face the stricter form of heightened cash monitoring known as HCM 2. Institutions under that level of scrutiny must first disburse to students the loans and grant money that they are entitled to, and must then provide detailed information on each recipient before being reimbursed by the department…Under HCM 1, colleges must also disburse the funds before getting reimbursed, but they don't have to be as specific when seeking the reimbursements. All other colleges are allowed to operate on an 'advanced pay' method, which allows them to receive the money they expect to award before they actually pay it out."

The number of institutions currently on the list represent close to 10 percent of all colleges that participate in federal student-aid programs, which appears to be in line with earlier trends before the Department decided to release the list to the public.

The Chronicle of Higher Education adds, "While the imposition of heightened cash monitoring is fairly routine, it became an issue last summer when the department imposed HCM 1 — plus an additional requirement of a 21-day delay of reimbursements — on Corinthian Colleges Inc., a for-profit-college company. The conditions, combined with the 21-day hold, left the company with such a severe cash crunch that it said it would not be able operate."

- For more information and a complete list of heightened cash monitoring schools, see: http://chronicle.com/article/Dept-Names-More-Than-550/228957/
- For the additional schools added to the list, see: https://www.insidehighered.com/news/2015/04/03/education-department-names-remaining-colleges-monitoring-list-%E2%80%98severe%E2%80%99-audit

CFPB Releases Consumer Response and FDCPA Annual Reports

The CFPB's Consumer Response Annual Report states that the volume of complaints received by the regulator's increased by 53 percent from 2013 to 2014. The report shows the most common types of complaints for each product, the handling of complaints, and median monetary relief. Debt collection, credit reporting, and mortgages accounted for 73 percent of all 2014 complaints.

Ballard Sphar's *CFPB Monitor* reports, "Debt collection and credit reporting complaints had the largest increases from 2013 (when the number of complaints received was, respectively, 31,100 and 24,200). Also, while in 2013 the CFPB received the most complaints about mortgages, it received substantially more complaints in 2014 about debt collection than mortgages. 37% of the debt collection complaints involved continued attempts to collect debts not owed (with many asserting that the amount sought was inaccurate or unfair), 20% involved communication tactics, 13% involved debt validation (such as not receiving enough information to verify the debt), and 12% involved taking or threatening illegal action. For credit reporting complaints, 77% involved incorrect information on credit reports."

The 2014 report also includes a section with further analysis about the credit reporting complaints the Bureau received. According to the CFPB, there was an 85 percent increase in credit reporting complaints from 2013 to 2014.

Additionally, the CFPB released its fourth annual report to Congress covering its efforts to administer and enforce the Fair Debt Collection Practices Act (FDCPA). The report covers a background of the debt collection market, an overview of consumer complaints submitted to the CFPB, a summary of debt collection supervisory activities and enforcement actions, consumer education and outreach initiatives, Federal Trade Commission (FTC) efforts related to debt collection, and developments in debt collection rulemaking activities.

The CFPB notes that debt collection is the greatest source of consumer complaints, and that of the 45 percent of complaints it forwarded to debt collectors, 89 percent were responded to in a timely manner. The report also indicates that the Bureau announced seven public law enforcement actions in 2014 related to unfair, deceptive, and abusive debt collection.

- For the CFPB's Consumer Response Annual Report, see: http://www.consumerfinance.gov/reports/2014-consumer-response-annual-report/ For the CFPB's
- FDCPA Annual Report, see: http://www.consumerfinance.gov/reports/fair-debt-collection-practices-act-annual-report-2015/
- For coverage from Ballard Sphar's *CFPB Monitor*, see: http://www.cfpbmonitor.com/

CFPB Launches Effort to Expand Financial Education in K-12

On Wednesday, the CFPB announced that it was launching a nationwide effort to expand financial education in schools. The Bureau is publishing "Advancing K-12 Financial Education: A Guide for Policymakers," a resource guide which contains strategies for furthering the development and implementation of financial education in states.

Research shows that students who receive financial education during their K-12 schooling will achieve significantly higher savings and net worth in life. Additionally, when high schools include prudent financial education requirements, those students tend to have improved credit scores later in life and are less likely to be delinquent on financial obligations as adults. The Bureau intends to support policymakers by fostering connections among the financial education community and furthering the conversation around K-12 financial education initiatives. The guide is targeted at policymakers but was created designed to benefit all members of the financial education community.

The guide's framework for advancing K-12 financial education has three main sections:

- **Laying the groundwork:** This section is designed to help policymakers make the case for K-12 financial education, set a strategy for initiatives, define the structure for initiatives, foster partnerships, and secure resources.
- **Building the initiative:** This section focuses on key components of K-12 financial education including standards and requirements, classroom resources, teacher training, and initiative evaluations.

- **Extending the impact:** This section contains guidance on how to effectively carry out and expand K-12 financial education initiatives, including information on the resources to support the advancement and recognition of efforts, and improve and scale existing initiatives.

For the CFPB announcement and a copy of "Advancing K-12 Financial Education: A Guide for Policymakers, see: http://www.consumerfinance.gov/newsroom/cfpb-launches-nationwide-effort-to-advance-financial-education-in-schools/

New FSA IFAP Announcements: Federal Perkins Loan Program Orange Book, COD Processing Updates, Processing Aid and Managing FSA Funds Handbook, Loan Servicing Information Customer Service Performance Reports

Recent additions to the Information for Financial Aid Professionals (IFAP) website have been made regarding the federal Perkins Loan program, COD processing, the FSA handbook, and loan servicing customer service performance reports.

On March 23, the Department issued a posting on the Perkins Loan Orange Book. The announcement reads:

The Federal Perkins Loan Program Status of Default as of June 30, 2014, known as the Orange Book, is a report that lists each school that participated in the Federal Perkins Loan (Perkins Loan) Program during the 2013-2014 Award Year and provides a cohort default rate for each school. This report is based on data submitted by schools in the Fiscal Operations Report for 2013-2014 and Application to Participate for 2015-2016 (FISAP), and includes all schools reporting Perkins Loan funds regardless of whether or not they reported advancing funds to students in FISAP Part III, Section A, field 4.

The full announcement can be found here along with the Orange Book:
http://www.ifap.ed.gov/perkinscdrguide/1314PerkinsCDR.html

On April 3, the Department announced a COD processing update. The announcement can be found here: http://www.ifap.ed.gov/eannouncements/040315CODProcUpdate.html

On March 19, the Department released volume 4 of the Processing Aid and Managing FSA Funds of the 2015-2016 Federal Student Aid Handbook.

- To access Volume 4 – Processing Aid and Managing FSA Funds of the 2015-2016 Federal Student Aid Handbook, see: http://www.ifap.ed.gov/fsahandbook/1516FSAHbkVol4.html
- To access the 2015-2016 Federal Student Aid Handbook, see: http://ifap.ed.gov/ifap/byAwardYear.jsp?type=fsahandbook&awardyear=2014-2015

On March 26, the Department released the first and second quarter customer service performance results for student loan servicers.

The announcement reads:
Per the contractual agreement with each of our federal loan servicers, the Department of Education (the Department) will annually measure servicer performance in the areas of customer satisfaction and default prevention. We will then use these results to determine each servicer's allocation of future loan volume when applicable.

- For the first quarter announcement and results, see: http://www.ifap.ed.gov/eannouncements/032615LSIFirstQuarterCustServPerformResults.html
- For the second quarter announcement and results, see: http://www.ifap.ed.gov/eannouncements/032615LSISecondQuarterCustServPerformResults.html

Industry

Corinthian Student Debt Strike Meets with US Officials, Nine State AGs Call on ED to Forgive Loans

Members of the "Corinthian 15" met with CFPB Student Loan Ombudsman Rohit Chopra, Undersecretary of Education Ted Mitchell, Treasury officials, and several representatives from state attorneys general offices regarding their "debt strike" last week. The group began with 15 former students of Corinthian College Inc.'s WyoTech, Heald College, and Everest University Campuses refusing to pay their federal student loan debt in protest of the governments' support of the for-profit college and has now grown to over 100 borrowers on "strike."

The group is an off-shoot of the Occupy-backed movement called the Debt Collective. The CFPB and ECMC, which bought most of the Corinthian campuses, reached a deal to forgive a substantial share of private loan debt in the form of institutional loans made by Corinthian, but there so far has not been any such deal involving federal loans.

At the meeting, Education Department officials did not make any promises regarding the forgiveness of loans, but organizers of the protest felt optimistic, stating the meeting was a "huge legitimization of our strategy." The "Corinthian 15/100" are seeking a clear and transparent process for students to file defense of repayment claims citing fraud on the part of their schools.

The meeting was coordinated by Rohit Chopra of the CFPB. The organizers appear to believe the CFPB has their support, but the Department of Education needs prodding to forgive their debts.

"The consumer bureau seems to be on our side, but the Education Department seems to need a fire under their ass," Jessica King of Newport News, VA, a borrower who attended the meeting, told *The Huffington Post*. "And we're the ones who will light it."

This week, a letter from nine state attorneys general was sent to Secretary of Education Arne Duncan requesting the Department of Education to forgive the loans of Corinthian College alumni. The letter lays out a set of proposal that could lend help to indebted students at other schools that have violated federal law. The letter points to "Defense of Repayment," a provision in the law that allows the DOE to forgive the loans of students whose schools committed acts that "would give rise to a legal cause of action…under applicable state law."

Buzzfeed News reports, "Because the defense to repayment claims rely on state law, the voices of the state attorneys general may carry weight in the Department's consideration of such claims, 300 of which were submitted by the department by a group of Corinthian student activists last week."

Attorneys general in Massachusetts, New Mexico, California, New York, Oregon, Connecticut, Illinois, Washington, and Kentucky signed the letter.

- For more information, see: https://www.insidehighered.com/news/2015/04/01/education-department-meets-ex-corinthian-students-who-refuse-repay-federal-loans
- For coverage from *Buzzfeed News*, see: http://www.buzzfeed.com/mollyhensleyclancy/nine-states-demand-education-department-forgive-loans#.fdByQ3qJAn
- For the letter from the nine state attorneys general, see: http://www.mass.gov/ago/docs/press/2015/multi-state-letter-to-sec-duncan.pdf

Washington AG Sues Company over Student Loan Practices

On Monday, Washington Attorney General Bob Ferguson filed a lawsuit again StudentLoanProcessing.US (SLP), a student loan processing company, accusing them of exploiting student loan borrowers for profit.

The company promises to "adjust" student debt but Ferguson claims the company has violated the state's Debt Adjusting Act and Consumer Protection Act by charging illegally high fees and failing to inform customers of their rights. The Attorney General argues that the same services SLP offers are available for free through the U.S. Department of Education.

Recently, student loan debt adjustment firms have grown in popularity as the number of American's holding student debt continues to increase. Most of these firms offer to help students fill out and submit loan consolidation paperwork to the Department of Education. Since July 2011, SLP has marketed its fee-based services to help student loan borrowers applying for federal student loan repayment programs, such as the Income-Based Repayment Program and Direct Consolidation Loans.

Consumer Affairs reports, "SLP charged each consumer an upfront enrollment fee of $250, or one percent of their outstanding loan balance, whichever was greater. A vast majority of consumers paid more than the $250 enrollment fee, even as high as $2,000. Washington's Debt Adjustment Act places a strict limit of $25 on initial fees, meaning even SLP's minimum fee was ten times the legal limit, the Attorney General's Office alleges. The Debt Adjustment Act also dictates that a debt adjuster's fee may not exceed 15 percent of each payment, which SLP's monthly fee of $39 did for most Washington consumers."

Ferguson also accuses SLP of failing to include language in its contracts informing consumers of their three-day "right to cancel" period.

In total, 88 Washington consumers, with an average student loan debt of approximately $58,000, used the companies services. According to the complaint, SLP made about $132,000 from these consumers.

For more information, see: http://www.seattletimes.com/seattle-news/washington-attorney-general-sues-over-student-loan-practices/

College Students Feel Ill Equipped to Manage Money

The third-year results of *Money Matters on Campus,* a survey of 43,000 college students across the U.S., show that students are taking out more and larger student loans, yet report feeling less prepared to manage their money than any other aspect of college life. Although students reported a higher level of financial experience than previously, they did not report increased levels of responsible financial behavior. The report details the findings of the survey of 42,000 first-year four-year college students and 1,000 community college students conducted by EverFi and sponsored by Higher One.

Only 58 percent of students from four-year institutions said they were prepared to manage their money, while an alarming 12 percent of respondents admitted to never checking their bank balances because they are too nervous. Nearly 16 percent of students surveyed were living paycheck to paycheck and yet only 75 percent stopped spending when their bank accounts were running low. Researchers claim that the results suggest the importance of financial literacy education before students enter college, especially so that they can understand the impact student loan debt can have on their future.

Related to financial knowledge, students who reported having a checking account, especially an individual account, were more prepared to make healthy financial decisions than those who were unbanked. This was especially true among the community college sample, where banked students answered 2.54 (out of six) financial knowledge questions correctly compared to 1.97 (out of six) for unbanked students. This strongly suggests increased experience with "transactional" bank accounts early on would be of great benefit to promoting financial self-efficacy while in college. Students who had taken a financial literacy course in high school were 10 percentage points more likely to report being prepared to manage money in college than their peers without previous financial education.

Private school students generally possessed more financial knowledge, but students from two-year institutions had the most correct answers on average when compared to other groups. This may be to their higher age, financial experience, and general lifestyle differences.

Students reported that their biggest financial worry was finding a job after graduation at 69 percent of the surveyed freshmen, while 44 percent cited the amount of student debt they will be acquiring.

On Thursday, HigherOne and EverFi hosted a panel event and report release to discuss the findings of *Money Matters on Campus*. Participants included Beckie Supiano, senior reporter, *The Chronicle of Higher Education*; Joe Duran, chief operating officer, Moneythink; Mary Johnson, vice president of financial literacy and student aid policy, HigherOne; Ryan Law, director, Office for Financial Success, Center for Economic Education at the University of Missouri; and Nan Morrison, CEO, Council for Economic Education.

The panelists all agreed on the importance of financial literacy education beginning for students at a young age. Nan Morrison, advocated for incorporating financial education in teachers' lesson plans as early as kindergarten.

Ryan Law argued that while financial knowledge is key, it is not the magic bullet. He explained that simple hands on experience like tracking spending for a month and peer-to-peer counseling programs can have a tremendous impact on students. Law also suggested that teachers in the K-12 system tasked with teaching financial literacy be required to obtain a special certification in the matter.

Mary Johnson argued for clearer transparency among higher education institutions and pointed to the success of the University of Indiana's recent efforts in providing students with a physical letter including their student loan balance. Joe Duran added that in terms of transparency, colleges should also be clearer on their return on investment.

All four panelists agreed that with the changing labor force, linking job prospects to education is imperative, and providing students with financial knowledge to make such decisions on their own is necessary for their own social, emotional, and fiscal well-being.

For the *Money Matters on Campus* report, see: http://moneymattersoncampus.org/

CEF Budget Book Released

The Committee for Education Funding (CEF) has released their budget book, "Education Matters: Investing in America's Future", a detailed analysis of the President's FY 2016 budget.

The publication includes a summary/analysis of the budget, a list of education budget cuts since FY2010, a funding table for FY2012-2015 and the President's FY2015 budget, an analysis of education programs and more.

Additionally, it includes a section on the budget's impact on the Perkins Loan Program and the importance of continuing the program. The listing also includes contact information of Harrison Wadsworth and Wes Huffman are included for readers who wish to learn more on Perkins.

The Perkins Loan section reads:

Impact of President's Budget

The Administration proposes to create a new $8.5 billion Unsubsidized Perkins Loan Program, which would allow more institutions into the program and expand loan availability. However, many of the favorable benefits of the current Perkins Loan Program would be lost, such as a set 5 percent interest rate, non-accrual of interest during the in-school and grace periods, and more helpful cancellation options for many public service jobs. The Perkins Loan Program, like most federal student aid programs, is set to expire on September 30, 2015. In anticipation of that date, the Department of Education issued guidance to institutions advising them about the wind-down of the program and the limited instances in which schools can continue to make loans to students beyond September 30, 2015. The proposals in the president's budget and the recall of the Perkins Loan Revolving Fund would require congressional action. In the meantime, if Congress is unable to amend the Higher Education Act before the end of FY 2015, appropriators should fund capital contributions so institutions can continue to provide loans to more low-income students in these tough economic times. At a minimum, Congress is obligated to fulfill its federal responsibility to reimburse institutions for loan cancellations.

Program Need

To fund required cancellations and to recover at least part of past funding shortfalls, $150 million is needed for the Perkins Loan Program. Ideally Congress would reimburse campus Perkins funds for all unreimbursed cancellations owed, now totaling more than $400 million, including funds institutions themselves contributed to the Perkins Loan Program. The Federal Capital Contribution, authorized at $300 million per year, also must be funded for FY 2016. With institutional matching funds, this would make $400 million available for new loans, helping thousands of additional students. The Perkins program provides loans to students who cannot borrow or afford more expensive private student loans and is a key part of making higher education accessible and affordable for low-income students. Loans allow schools to fill gaps for students to continue their education. The program also provides an important incentive for people who wish to go into public service by offering targeted loan cancellations for specific professions in areas of national need.

For the CEF Full Budget Book, see: http://cef.org/wp-content/uploads/2015/03/2015FullBudgetBook-March-31.pdf

CAP Releases Report on Wage Withholding for Student Loan Repayment

In February, the Center for American Progress (CAP) announced its College for All plan, a proposal for universal, affordable higher education. CAP states that the government must increase college accessibility by providing financial support to every high school graduate and by minimizing student-loan debt. The goal of the plan is to ensure that the US has the skilled workforce and educated citizenry needed to achieve inclusive prosperity and to create a postsecondary education system that encourages economic growth.

"CAP's College for All proposal is aimed at improving degree attainment – especially among students from low- and moderate-income families. Simplifying our overall financial aid system, which in its existing form can be highly confusing for many students and their families, will go a long way toward achieving his goal," said David Bergeron, CAP's Vice President of Postsecondary Education.

Recently, CAP released a new report aimed at simplifying the student-loan repayment system. Under the proposal, students would use the IRS's wage-withholding system to automatically repay a portion of the aid provided by the federal government, which would be determined by a single, simple income-based plan. As CAP projects an automated withholding regime to save federal funds over the current system,. The paper also states a portion of the savings could be shared with borrowers to incentivize them to participate. Additionally, there would be a system of data exchanges to proactively help borrowers manage their debt.

CAP acknowledges it would take time for the legislative action required for their proposal to be passed. However, CAP suggests that the Department of Education itself pilot the wage-withholding program under executive order. The federal government would use existing payroll systems to calculate monthly payments and automatically credit student-loan accounts held by employees. The paper did not address whether Department employees would like their federal student loan payments given higher priority than other monthly needs, such as food or rent, which is what happens under an automated withholding regime.

- For CAP's press release, see: https://www.americanprogress.org/press/release/2015/03/26/109836/release-to-improve-college-degree-attainment-cap-offers-solutions-for-simplifying-and-streamlining-student-loan-repayment-system/
- For more information, see: https://www.americanprogress.org/issues/higher-education/report/2015/03/26/109812/increasing-postsecondary-attainment-through-smarter-student-loan-repayment/

AASCU Releases the 2015 Gubernatorial State of the State Addresses and Higher Education

The American Association of State Colleges and Universities (AASCU) released a roundup of the 2015 gubernatorial State of the State addresses and all mentions of higher education.

Governors in five states- Arizona, Kansas, Louisiana, Connecticut, and Wisconsin- are proposing to reduce spending for higher education in the next fiscal year. Governor Bobby Jindal (R-LA) and Gov.

Scott Walker (R-WI) are reportedly planning to cut $300 million in higher education funds in their respective state.

While the media has been focusing heavily on states that plan to cut higher education funding, there are a number of other states that intend to increase funding over the next fiscal year as well, including Alabama, Missouri, Nevada, New Hampshire, New York, Pennsylvania, Tennessee, and Virginia.

While many states did not address the state of funding for higher education in their State of the State addresses, some did say they will take steps to aid in completion through various state scholarship plans and state-focused student debt relief programs and initiatives.

The full roundup is available here, http://www.aascu.org/policy/state-policy/2015StateoftheStates.pdf

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