The Torch

July 17, 2015

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

Top News

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- **Department of Education Publishes Revised Call for Comments on Deferment Forms – Perkins Included**
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COHEAO

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- **COHEAO Comments on CFPB RFI**
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  Last Wednesday, Sens. Tammy Baldwin (D-WI) and Cory Booker (D-NJ) and Rep. Bobby Scott (D-VA) introduced *America's College Promise Act of 2015*.

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  The Federal Communications Commission (FCC) released a Declaratory Ruling and Order on July 10 that intended to address the nearly two dozen petitions seeking guidance on TCPA issues that the agency received.
- **Another Top CFPB Official Leaving the Bureau**
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- **CFPB Report Claims Servicemembers Continue to Face Roadblocks From Student Loan Servicers**
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- **Martin O'Malley Unveils Debt-Free College Plan, But Focus Turns to $339K+ Parent PLUS Loans of His Own**
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- **Department of Education to Delay Defaulted Corinthian Student-Loan Collection**
  The Department of Education agreed to temporarily suspend all judicial collection efforts on 40,000 defaulted Corinthian student loans for 120 days as it continues to negotiate with a committee representing the students.
- **New IFAP and *Federal Register* Announcements**
  Recent additions to the Information for Financial Aid Professionals (IFAP) website and *The Federal Register* have been made that may be of interest to COHEAO members.
- **ED Updates Cash Monitoring List**
  The Department of Education recently updated their list of schools on Heightened Cash Monitoring to provide additional oversight for a number of financial or federal compliance issues.

Industry

- **Twenty Schools are Responsible for Nearly One-Fifth of Graduate Loans**
  A new study conducted by the Center for American Progress found that just 20 schools are responsible for a large portion of graduate-student debt.
- **Connecticut Law Creates New Student Loan Servicer Licensing Requirements and Prohibitions**
  On July 2, Connecticut's Governor Dannel Malloy signed into a state based "student loan bill of rights" into law.

- **New Jersey Lawmaker Proposes Lottery to Clear Winners of Student Debt**
  A New Jersey state representative proposed legislation last Monday that would establish a lottery where the winners' student debt would be paid off.

Attachments

- **COHEAO Commercial Members**
- **COHEAO Board of Directors**
- **COHEAO's Comments on CFPB RFI**
- **Summary of Sen. Alexander's Speech at AEI**

Top News

Support for Perkins in Congress Continues to Grow

The formal support for Perkins Loans in Congress continues to grow. As of this writing, there are 35 cosponsors on H. Res 294, a House resolution signifying strong Congressional support for the Perkins Loan program. There are also 62 signatories on a letter from Rep. Louise Slaughter (D-NY) to House Education and the Workforce Chairman John Kline (R-MN) and Ranking Member Bobby Scott (D-VA) urging an extension of the program.

In total, 75 Representatives, with a nice mix from both parties, have signaled their support for Perkins Loans by signing onto the H. Res 294 or the Slaughter letter. Thirty-six members support the resolution, including sponsor Luke Messer (R-IN) while 62 have signed onto Slaughter's letter, and 22 are signatories for both efforts.

Department of Education Publishes Revised Call for Comments on Deferment Forms – Perkins Included

In response to an inquiry from COHEAO members, the Department of Education updated its call for comments yesterday on a new set of standard deferment forms that are designed to be used for Perkins, Direct Loans and Federal Family Education Loans. The original notification on IFAP and in the *Federal Register* only mentioned Direct Loans. The notice also did not provide a clear path to reviewing the actual forms, but the Department has now clarified that.

The proposed deferment forms are now available on the US government's Regulations.gov website, under docket number ED-2015-ICCD-0028, at this link:
http://www.regulations.gov/#!searchResults;rpp=25;po=0;s=ED-2015-ICCD-0028;fp=true;ns=true

Click on "Open Docket Folder," and then on "Forms and Instructions" (dated 7/14/2015) a page will open with a link to each of the revised deferment forms.

The Department is also changing the title of its postings on IFAP to specify that they are requesting comment on "Direct Loan/FFEL/Perkins Loan Program Deferment Request Forms." **Please note that for the first time Perkins deferment requests will have to be made using the same White House Office of Management and Budget-approved forms as are used for Direct Loans and FFELs.**

COHEAO is continuing to work with the Department to provide comments and suggestions on the draft forms. The deadline for comments is August 6, 2015. COHEAO members can comment directly, or if you would like to be involved in the group initiative, please contact Lee Anne Wigdahl at lwigdahl@devrygroup.com.

COHEAO

Last Chance to Register for the 2015 COHEAO Mid-Year Conference

Registration is still available for the **2015 COHEAO Mid-Year Conference**, taking place in Chicago July 26-28. Sign up today!

COHEAO is thrilled to have **Gail McLarnon** provide this year's keynote address. Gail is the Senior Director of Policy Development, Analysis, and Accreditation in the Office of Postsecondary Education's (OPE) Office of Policy, Planning and Innovation. McLarnon is a leading authority on Perkins Loans at the Department and will be offering a presentation on the future of the program and other relevant issues. The Department of Education recently published a Q&A document on the "wind down" of Perkins Loans and this session will provide more information (or at least the opportunity to register ongoing concerns with the Department)

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. 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.

The registration fee for all members is $510, and the institutional non-member fee is $610. The commercial non-member rate is $1,660. Hotel Rooms may still be available for Sunday and Monday night. 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. If you have any problems, please contact the COHEAO office.

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 Joins NACUBO and Others to Highlight Concerns with Proposed "Cash Management" Regulations

July 1 was the deadline for comments on the Department of Education's proposed regulations relating to cash management in the Title IV programs. The responses from banking and higher education trade associations show there are significant concerns with the proposal.

In particular, COHEAO signed onto a comment sent to the Department of Education from the National Association of College and University Business Officers (NACUBO) that identifies many problems with the regulations. The letter offers the following three major areas of concern:

- *If these rules are too proscriptive, too difficult, and too expensive to implement, third-party servicers and banks will simply exit this marketplace, leaving colleges and universities without valuable partners who have helped them improve services to students.*

- *ED has overstepped its statutory authority in the proposed rules.*

- *The proposed regulations go well beyond the remedies necessary to resolve the problems that ED has identified in justifying its action, imposing considerable and unnecessary burden on the regulated parties for very little added benefit.*

COHEAO along with NASFAA, NAICU, the American Association of Community College Trustees, and the National Association of Campus Card Users joined NACUBO as signatories on the letter.

Student advocacy groups, along with the consumer focused plaintiffs bar, were generally pleased with the proposal. Though in some cases, these groups argued the proposal did not go far enough to ensure that students did not have to pay any fees related to their Title IV funds.

In addition, Reps. Blain Luetkeymeyer (R-MO), Luke Messer (R-IN) and Sen. John Hoeven (R-ND) sent a Dear Colleague letter urging fellow congressional members to join them in a letter to the Department of Education sharing their concerns over the proposed cash management rule.

The following is an excerpt from the Dear Colleague letter:

> *Access to safe and secure financial services is essential to the financial health and long-term financial stability of America's students. Accordingly, many schools have agreements with financial institutions to provide on-campus financial solutions, including secure on-campus branches, ATMs, and financial education programs.*
>
> *The Department is again in the rulemaking process to update regulations regarding disbursement of Title IV student aid funds. The current proposal could add a new compliance regime for schools and their partners, and enforcement standards that rely on broad terms such as "best interest of students." This could negatively impact students' as it does not recognize that all students have different circumstances and needs.*
>
> *Furthermore, the stated purpose of the rulemaking is to ensure that students have "safe, convenient, and free access" to their credit balances. Unfortunately, the rule could have the unintended consequence of reducing access to traditional banking products. In addition, this proposal could increase financial burdens on colleges and universities, creating pressure on already stressed operating budgets.*

- For the NACUBO letter, see: http://www.regulations.gov/contentStreamer?documentId=ED-2015-OPE-0020-0158&attachmentNumber=1&disposition=attachment&contentType=pdf
- For a joint comment from multiple banking agencies, see: http://www.regulations.gov/contentStreamer?documentId=ED-2015-OPE-0020-0200&attachmentNumber=1&disposition=attachment&contentType=pdf

COHEAO Comments on CFPB RFI

This week, COHEAO filed a response to the Consumer Financial Protection Bureau's Request for Information on student loan servicing. Although the focus of the RFI was on servicing of Direct Loans and FFELs, there was mention of private loans (which include institutional loans) and a brief mention of collections. The response is attached with today's edition.

There has been a bit of a lag in posting the comments, but the Bureau has posted 599 comments, most of which come from their direct appeal to borrowers to tell the Bureau about their "student debt stress" (or, as it was largely a social media campaign, their "#StudentDebtStress"). Several industry and financial aid based trade groups, such as NASFAA, SLSA, NCHER and CBA, also submitted comments. In addition, a large collection of consumer advocates and student groups also submitted comments.

COHEAO's Comments on the RFI are attached to this week's edition.

Congress

House and Senate Pass ESEA Reauthorization, Bills Move to Conference

Last Wednesday night, the House passed the *Student Success Act*, to reauthorize the Elementary and Secondary Education Act (ESEA) with a vote of 218-213. All the Democrats and two dozen Republicans voted no, but Chairman John Kline (R-MN) and the leadership finally got an important victory by allowing a vote on a key tea party-backed amendment (which failed) and passage of another that further restricted the power of the federal government (allowing Title 1 portability, where funds follow low-income students who change schools). The bill limits the federal role in public education, giving more authority back to the states and local school districts.

The Senate in an unusual bit of bi-partisanship passed its redo of the 14-year-old No Child Left Behind law yesterday by the wide margin of 81-17. The action came after over a week of debate on 178 amendments, many of which were accepted into a managers' packages of 20+ amendments and passed by unanimous consent. HELP Committee Chairman Lamar Alexander (R-TN) skillfully managed the bill the old-fashioned way, giving everyone their say and picking his battles carefully while working with the ranking Democrat Patty Murray (WA). All of the no votes came from Republicans who believe the bill still gives the federal government too much authority over states in elementary and secondary education issues.

Alexander fought off amendments that would have fundamentally changed the bill while allowing enough to go through that in the end many senators could declare victory by getting an amendment in the final bill, and thus were willing to vote for it. By cooperating Murray moved the bill leftward from where it would have been otherwise. One big plus was that all sides may have disagreed on what needs to be done to change federal education policy, but all agreed the No Child Left Behind law is outdated and unworkable. Education Secretary Arne Duncan even issued a supportive statement, although added that the bill still needs work in his view. Both chambers will work over the upcoming August recess to create a conference agreement.

ESEA has taken the focus and resources away from HEA. Top staffers on both sides continue to point toward the August recess as a time for drafting legislative text and indicate they are hopeful for a markup as soon as the fall. This timeframe may be possible in the House, but still seems ambitious, particularly considering reports that the Education and the Workforce Committee intends to next address the reauthorization of the *Child Nutrition Act*.

Buoyed by his conversation with Majority Leader Mitch McConnell, who told him Leadership was quite pleased with the bipartisan proceedings on ESEA, Chairman Alexander seems intent on moving quickly to HEA, but Republican HELP staffers have acknowledged the September timeline may be a bit aspirational, given the time that will have to be devoted to a conference with the House on HEA.

For a detailed summary of ESEA reauthorization debates these past few weeks, email mcravez@wpllc.net

Sen. Alexander Gives Speech to AEI on HEA Reauthorization

Yesterday, Sen. Lamar Alexander (R-TN) gave a speech to the American Enterprise Institute on reauthorization of the Higher Education Act. A full summary of the speech, which was rather informative on the Chairman's plans, is attached with today's edition.

Critics of Alexander's plans to move to a "One Grant/One Loan" system for Title IV took solace in what was not said at AEI. Alexander continued to call for the simplification of the FAFSA form, but he largely stayed away from calls for simplification in the student aid programs. He did mention the FAST Act as an indicator of bipartisan cooperation. The bill includes Democratic support and moves to a One Grant/One Loan/One Work Study system for delivering federal student aid (though "one loan" is a bit of a stretch, as the bill maintains three loans in the Direct Loan Program and does nothing to address HHS Loans).

However, when he first began talking about HEA, Chairman Alexander often focused on a perceived need to "simplify" Title IV by eliminating smaller programs. That talk has now changed, and the Chairman is no longer highlighting loan program simplification as a top priority, instead focusing on FAFSA simplification and supporting repayment program simplification as proposed by others. Alexander certainly appears to have turned what was becoming a focus on simplification to other priorities.

A summary of Alexander's Speech is attached to this week's edition.

Sens. Baldwin, Booker and Rep. Scott Introduce *America's College Promise Act*

Last Wednesday, Sens. Tammy Baldwin (D-WI) and Cory Booker (D-NJ) and Rep. Bobby Scott (D-VA) introduced *America's College Promise Act of 2015*. The legislation, backed by the Obama administration, was unveiled at a press conference by the congressional leaders and Secretary of Education Arne Duncan.

The *America's College Promise Act of 2015* would make two years of community college "free" for students enrolled at least half-time with satisfactory grades. The legislation would cost the federal government an estimated $90 billion over the next decade, the lawmakers explained over a press call. This is about $30 billion more than OMB had estimated when President Obama made the proposal earlier this year. About $80 billion would go toward covering 75 percent of the cost of community college, while states would be responsible for covering the other 25 percent of tuition. The other $10 billion would be allocated toward paying tuition for low-income students at four-year minority-serving institutions.

Supporters of the act estimate that a full-time community college student could save an average of $3,800 in tuition per year. If enacted, the legislation's sponsors claim it will benefit an estimated nine million students if all states participated under this program.

The legislation will not likely pass this Congress but it does exemplify the broader nationwide push to reduce undergraduate tuition. Under the new bill, states would be required to ensure that eligible two-year community and technical colleges meet quality standards and that credits from two-year colleges are transferable to four-year schools.

Sixty-one members of the House of Representatives and at least 10 Democratic Senators have cosponsored the *America's College Promise Act*.

For more information, see: http://www.baldwin.senate.gov/press-releases/baldwin-americas-college-promise-act-to-make-higher-education-more-accessible-and-affordable-

White House & Administration

ED Releases NPRM on PAYE Expansion, SCRA Regulations

The Department of Education formally published in the *Federal Register* its draft regulations expanding the income derived repayment options for federal loans and codifying the guidance for the Servicemembers Civil Relief Act. ED described the move as part of an effort to implement President Obama's "Student Aid Bill of Rights."

Under the regulatory proposals, FFEL holders/servicers will regularly be required to compare lists of borrowers with the Department of Defense's database, and they can rely on a match to grant SCRA benefits. ED will also develop a standardized form that servicemembers can submit in order to get benefits. The rule would make it easier for borrowers in the military to receive an interest-rate reduction on their student loans.

The expansion of the most generous version of income based repayment will make another six million borrowers eligible, according to the Department. They will be eligible if they show partial economic hardship to limit monthly payments to 10 percent of discretionary instead of 15 with forgiveness after 20 years instead of 25. The expansion of PAYE, dubbed RE-PAYE, is estimated to cost $15.3 billion across the 1994-2025 cohorts of borrowers, according to the NPRM.

The repayment change also has the ratings agencies taking a closer look at FFELP backed bonds. According to analysts at Citigroup, downgrades could lead to "significant market disruptions."

Last Tuesday, the Department of Education also issued new guidance to guarantors and educational institutions participating in the Federal Family Education Loan Program (FFELP) and Federal Perkins Loan Program, on how aggressively loan collectors should pursue borrowers of federally backed loans filing for bankruptcy.

Current federal law allows student loans to be erased in bankruptcy only if the debt creates an "undue hardship" on the borrower. Many consumer groups and Congressional Democrats have increasingly pushed for softening bankruptcy requirements. The Department of Education does not have the authority to change the standard used in bankruptcy courts, but did provide further guidance on bankruptcy for schools (responsible for collecting defaulted Perkins Loans) and guarantors (responsible for collecting defaulted FFELP loans) urging consideration of the two-step process for seeking to oppose a discharge claim. The latest guidance even includes examples where the Department believes a discharge is or is not warranted.

The announcement also highlights ED's "steps to reform the debt collection process for defaulted federal student loans." As of last week, the Department has changed the compensation structure for defaulted student loans, which has already led one guaranty agency, United Student Aid Funds, to file a lawsuit. ED is also in the process of revising its debt-collection contracts "to ensure the proper balance between the interests of the borrower and of the taxpayer," the press release said. The news release says that Department officials believe the changes in its compensation plan would "ensure that borrowers receive the best advice about how to get a loan out of defaults," and its new guidance to debt collectors would "ensure they are providing borrowers with accurate information."

Lastly, beginning in 2016, the Department of Education and the Social Security Administration (SSA) are scheduled to conduct regular data matches to identify federal student loan borrowers who may be eligible for a Total and Permanent Disability (TPD) loan discharge. Once eligible borrowers are identified, the Department will take steps to stop collection actions to ensure that the borrower's Social Security disability insurance benefits are not reduced to repay the student loans. The Department and SSA are working together on ways to identify borrowers who receive Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) and could potentially benefit from income-driven repayment plans. The Department then plans to contact these borrowers about the available repayment options and loan discharges, and provide instructions on how to access these options.

- For ED's press release, see: http://www.ed.gov/news/press-releases/obama-administration-expands-efforts-help-americans-manage-student-loan-debt
- The full NPRM can be found here: http://www.gpo.gov/fdsys/pkg/FR-2015-07-09/html/2015-16623.htm .
- For ED's Dear Colleague letter on bankruptcy, see: http://ifap.ed.gov/dpcletters/attachments/GEN1513.pdf
- For ED's Dear Colleague letter on guarantor compensation, see: https://www.ifap.ed.gov/dpcletters/attachments/GEN1514.pdf
- For coverage of the USA Funds lawsuit from *Inside Higher Ed*, see: https://www.insidehighered.com/news/2015/07/17/guaranty-agency-sues-education-department-latest-fight-rippling-end-bank-based

New York Fed Says Expansion of Federal Student Loans May be Driving Tuition Increases

A report by the Federal Reserve Bank of New York said the increasing availability of subsidized student loans may be responsible for rising college tuition. Specifically, the study found that the increased availability of subsidized student loans and Pell Grants accounted for 55 percent to 65 percent of the increase in tuition costs.

The report states, "Subsidized loan effect on tuition is most pronounced for expensive, private institutions that are somewhat but not among the most, selective." The schools are described as having "mid-tier" admission rates. It later adds, "While one would expect a student aid expansion to benefit recipients, the subsidized loan expansion could have been to their detriment, on net, because of the sizable and offsetting tuition effect." The study also mentions that college graduates typically earn higher wages than others, suggesting the return on investment is still high.

Some experts are criticizing the study, calling it flawed and dangerous. Mark Kantrowitz of Edvisors said, "It becomes dangerous when it becomes an argument for cutting student aid when the reality is that student aid and especially grants are inadequate and low- and moderate-income students are priced out of a college education." He argues that the study focuses on sticker prices instead of net prices, and does not take into consideration the possibility of pent-up demand for loan limit increases.

For the study, see: http://www.newyorkfed.org/research/staff_reports/sr733.html

FCC Releases TCPA Declaratory Ruling, Lawsuits Already Filed

The Federal Communications Commission (FCC) released a Declaratory Ruling and Order on July 10 that intended to address the nearly two dozen petitions seeking guidance on TCPA issues that the agency received. COHEAO has commented in support of several of the petitions calling for modernization of rules to permit using predictive dialers to call cell phones, something that is permitted for calls to land lines. COHEAO has repeatedly pointed out that for higher education, the antiquated rules are unworkable since the vast majority of students and recent students don't have land lines and probably never will. COHEAO also called for more protection against being sued when consent was received to call a cell phone, but the phone number was transferred to someone new, thus cancelling the consent without the knowledge of the caller.

ACA International immediately filed a lawsuit against the FCC seeking judicial review of the Ruling from the U.S. Court of Appeals for the D.C. Circuit. Likewise, the Professional Association for Customer Engagement, Inc. (PACE), a non-profit trade organization, and Sirius XM Radio, Inc, both filed separate but identical Petitions for Review of the FCC's Ruling. Many expect similar lawsuits and petitions against the FCC's Ruling to be filed within the next few weeks.

- For the Declaratory Ruling and Order, see: https://www.fcc.gov/document/tcpa-omnibus-declaratory-ruling-and-order
- For more information about the ACA lawsuit and filed petitions, see: http://www.acainternational.org/news-battle-against-the-fccs-tcpa-declaratory-ruling-and-order-has-just-begun-36345.aspx

Another Top CFPB Official Leaving the Bureau

Deputy Director Steve Antonakes is leaving the CFPB, the *American Banker* reports. The newspaper obtained a copy of an email sent yesterday from Antonakes. It is the latest in a string of departures that has seen many of the top officials at the Bureau leave, even as it continues to expand its staff and jurisdiction.

In the email, Antonakes said he was tired of commuting from Boston and wanted to spend more time with his family. His departure is a loss for the Bureau, as he has been there since the early days of 2010 and has served in the number two position for the past two years. Antonakes' future plans remain unknown at the present time.

For more information, see: http://www.americanbanker.com/news/law-regulation/cfpbs-no-2-to-resign-1075438-1.html

CFPB Report Claims Servicemembers Continue to Face Roadblocks From Student Loan Servicers

Last Tuesday, the CFPB published a report asserting that servicemembers continue to face challenges from student loan servicers and are still struggling to obtain their protections guaranteed under the Servicemembers Civil Relief Act (SCRA).

The report, "Overseas & Underserved: Student Loan Servicing and the Cost to Our Men and Women in Uniform," relies on unverified complaints to suggest student loan servicers are not providing veterans and servicemembers with proper benefits. The report also mentions complaints including frustrations from grieving parents seeking to discharge a co-signed loan following the death of their child.

The Bureau claims it has handled more than 1,300 complaints from military borrowers related to the servicing or collection of student loans since the publication of its last report in 2012.

For more information, see: http://www.consumerfinance.gov/newsroom/cfpb-report-finds-servicemembers-continue-to-face-roadblocks-from-student-loan-servicers/

Martin O'Malley Unveils Debt-Free College Plan, But Focus Turns to $339K+ Parent PLUS Loans of His Own

In releasing his plan for "debt free college," Democratic presidential candidate Martin O'Malley disclosed he and his wife took out $339,200 in Parent PLUS Loans to finance their two daughters' educations.

O'Malley's plan includes a series of steps and will take five years to carry out, but immediately would create new loan refinancing options and limit monthly repayments based on income. The plan calls on states to immediately freeze tuition rates and restore investments in higher education. For the long term, O'Malley would set a goal of limiting college tuition to 10 percent of state's median income at four-year institutions and five percent at two-year institutions. Federal matching grants would assist states in reaching the goal. Furthermore, it calls for increased federal Pell Grants and revamping federal work-study programs to help cover the costs for low-income students.

Jeb Bush, a Republican presidential candidate, summarized O'Malley's plan as "just wipe the $1.2 trillion of debt without reform of our higher education system, more free stuff."

Of course, the personal experience caught the attention of the press and industry observers. Former Maryland Governor O'Malley told *The Washington Post* that he and his wife had taken out nine loans to pay tuition for their two daughters to earn their undergraduate degrees, one from a private institution and the other out-of-state public.

Mark Kantrowitz, senior vice president and publisher at Edvisors and an expert on student loans said, "Nine federal parent PLUS loans totaling $339,200 works out to be $37,689 per loan. That is greater than the federal parent PLUS loan amount borrowed by 99.9 percent of parents." The O'Malley campaign staff declined to say how the former governor borrowed so much money, but experts assume they were Federal PLUS loans.

Justin Draeger, president of the National Association of Student Financial Aid Administrators, said in a statement to *Inside Higher Ed*:

"There are two big issues I've seen when people try to develop public policy from the extremes: first, we end up with great talking points and political rhetoric, but without any viable, realistic plan to get to the end goal, or (2) we end up creating programs that focus on the wrong demographic. Maybe what we should take from Governor O'Malley's experience is asking whether there should be better safeguards in place to prevent parents from going $335,000 in debt!"

- For more information, see: https://www.insidehighered.com/news/2015/07/09/omalleys-personal-example-college-debt-confuses-experts
- For O'Malley's press release, see: https://martinomalley.com/policy/make-college-debt-free/

CFPB Launches First-Ever Monthly Complaint Snapshot

On Thursday, the CFPB released its first in a new series of monthly reports highlighting key trends from consumer complaints submitted to the Bureau. The monthly report includes complaint data on company performance, complaint volume, state and local information, and product trends. Each month, the report will focus on a specific product and geographic location – this report looks at debt collection complaints and complaints from consumers in Milwaukee, Wisconsin. As of July 1, 2015, the Bureau has received 650,700 complaints.

The following is an excerpt from the CFPB's news release providing complaint highlights as of July 1, 2015:

- ***Complaint volume:*** *For June 2015, the most-complained-about financial product or service was debt collection, representing about 32 percent of complaints submitted. Of the 23,400 complaints handled, over 7,400 of them were about debt collection. The second most-complained-about consumer product was mortgages, accounting for over 4,700 complaints. The third most-complained-about financial product or service was credit reporting, accounting for over 4,300 complaints.*
- ***Product trends:*** *Consumer loan complaints showed the greatest percentage increase from the same time last year, nearly doubling from approximately 660 complaints to 1,020 complaints on average per month.*
- ***State information:*** *Hawaii, West Virginia, and Maine experienced the greatest complaint volume increases from the same time last year; with Hawaii up 41 percent, West Virginia up 38 percent, and Maine up 38 percent. South Dakota, Iowa, and Rhode Island experienced the greatest complaint volume decrease from the same time last year, with South Dakota down 40 percent, Iowa down 14 percent, and Rhode Island down 12 percent.*

For the full report, see: http://www.consumerfinance.gov/newsroom/cfpb-launches-its-first-ever-monthly-complaint-snapshot-to-spotlight-consumer-trends/

Department of Education to Delay Defaulted Corinthian Student-Loan Collection

The Department of Education agreed to temporarily suspend all judicial collection efforts on 40,000 defaulted Corinthian student loans for 120 days as it continues to negotiate with a committee representing the students. The Department is still examining the claims of former Corinthian students and has received nearly 6,000 applications for loan forgiveness, granting nearly 500 requests so far.

The committee representing the former Corinthian students in the bankruptcy case requested that all student-loan collection activity- including against those currently making payments- be suspended during the bankruptcy case. If the court had ruled in the committee's favor, the decision would have affected more than 500,000 students and billions of federal student loan dollars. The Department objected to this request, but said it would stop collecting from students who formally file a request for forbearance.

The agreement does not prohibit bill collectors from contacting students in default or protect defaulted borrowers' credit scores, but simply states that no legal action will take place against defaulted borrowers until November 6.

For more information, see: http://www.wsj.com/articles/education-dpt-to-temporarily-stop-collections-on-defaulted-corinthian-student-loans-1436561194

New IFAP and *Federal Register* Announcements

Recent additions to the Information for Financial Aid Professionals (IFAP) website and *The Federal Register* have been made that may be of interest to COHEAO members.

FSA IFAP and *Federal Register* Announcements:

- A Dear Colleague Letter on EDExpress Online Training
- New Financial Literacy Report at MyMoney.gov
- Loan Servicing Information - Third Quarter's Customer Service Performance Results
- Program Integrity Questions and Answers (Q&A) Website Update
- Notice of Proposed Rulemaking on Income-Contingent Repayment, Servicemembers Civil Relief Act, Loan Rehabilitation, Public Service Loan Forgiveness, and Cohort Default Rates
- Gainful Employment Electronic Announcement #57 - Common Errors in Reporting Gainful Employment Data to NSLDS
- Reaffirmation Data on NSLDS
- Important Information about the Reallocation Process, the 2014-2015 Campus-Based Reallocation Form and the Process to Request Supplemental Federal Work-Study Funds for 2015-2016
- HEAL Program Information - Maximum HEAL Program Interest Rates for Quarter Ending September 30, 2015

Industry

Twenty Schools are Responsible for Nearly One-Fifth of Graduate Loans

A new study conducted by the Center for American Progress found that just 20 schools are responsible for a large portion of graduate-student debt. The analysis found that 20 schools that enroll 12 percent of all the country's graduate students were responsible for 20 percent of all graduate federal loans issued in 2013-2014. In total, almost $6.6 billion went to these 20 institutions.

The Higher Education Act enables graduate students to borrow more money per year than what undergraduate students can borrow. In the case of Graduate PLUS Loans, the only governor on what students can borrow is the cost of attendance determined by individual colleges and universities.

Among the 20 institutions, 81 percent of graduate degrees received were master's degrees. The list is composed of all types of institutions, including private and for-profit schools. Eight of the schools are large colleges operated by publicly traded, for-profit education companies.

The following list of institutions receiving the most graduate-student loan disbursements from 2013-2014 was included in an article from *The Chronicle of Higher Education*.

Institution name	Sector	Amount	Rank
Walden University	Proprietary	$756,336,024	1
Nova Southeastern University	Private-Nonprofit	$532,479,305	2
University of Phoenix	Proprietary	$493,078,509	3
New York University	Private-Nonprofit	$471,627,155	4
University of Southern California	Private-Nonprofit	$460,167,597	5
Capella University	Proprietary	$399,450,066	6
Liberty University	Private-Nonprofit	$351,847,277	7
Midwestern University	Private-Nonprofit	$335,146,070	8
Grand Canyon University	Proprietary	$329,153,677	9
Strayer University	Proprietary	$284,209,616	10
Columbia University	Private-Nonprofit	$241,667,574	11
St. George's University, School of Medicine	Foreign-For-Profit	$241,203,227	12
Kaplan University	Proprietary	$226,598,462	13
Ross University School of Medicine	Foreign-For-Profit	$218,874,479	14
Georgetown University	Private-Nonprofit	$214,982,053	15
DeVry University	Proprietary	$214,752,052	16
George Washington University	Private-Nonprofit	$206,524,570	17
Argosy University	Proprietary	$201,828,298	18
Rutgers, The State University of New Jersey	Public	$192,355,258	19
Western University of Health Sciences	Private-Nonprofit	$185,081,134	20

For more information, see: http://chronicle.com/article/As-Graduate-Student-Debt/231415/

Connecticut Law Creates New Student Loan Servicer Licensing Requirements and Prohibitions

On July 2, Connecticut's Governor Dannel Malloy signed into a state based "student loan bill of rights" into law. The law creates a licensing requirement for servicers of student loans made to state residents and creates new requirements and prohibitions on servicers. Some administrative provisions will take effect on October 1, 2015, but the Act's servicer requirement and prohibitions are effective July 1, 2016. The law also creates a new Student Loan Ombudsman position to assist student loan borrowers of the state.

Ballard Spahr, LLP highlighted the following key provisions of the act in a recent article:

- *To act as a "student loan servicer," unless exempt from licensing, a servicer must be licensed by the state's Banking Commissioner. Exempt entities include banks and credit unions, their wholly* *owned subsidiaries, and operating subsidiaries whose owners are wholly owned by an exempt bank or credit union.*

- *Licensed servicers and exempt entities must "maintain adequate records of each student loan transaction for not less than two years following the final payment on such student loan transaction or the assignment of such student education loan, which occurs first, or such longer period as may be required by any other provision of law." Such records must be made available to the Banking Commissioner upon request.*
- *Student loan servicers are prohibited from engaging in certain conduct, including negligently making "any false statement" or knowingly and willfully making "any omission of a material fact in connection with any information or reports filed with a governmental agency or in connection with any investigation conducted by the Banking Commissioner or another governmental agency."*
- *A servicer's violation of any "applicable federal laws and regulations relating to student loan servicing" is deemed a violation of the new law and the basis for an enforcement action by the Banking Commissioner.*

For more information, see: http://www.ballardspahr.com/alertspublications/legalalerts/2015-07-14-connecticut-enacts-new-licensing-requirement-and-prohibitions.aspx

ED Updates Cash Monitoring List

The Department of Education recently updated their list of schools on Heightened Cash Monitoring to provide additional oversight for a number of financial or federal compliance issues. The total number of schools that made the cash monitoring list decreased last month. The new list shows that as of June 1, 413 institutions were on the lower tier of cash monitoring, and 79 institutions were on the second and more restrictive tier. When the cash monitoring list was first published, 474 colleges were on the first level, and 69 schools were on the higher level.

The Education Department has removed aid restrictions on 16 Everest and Wyotech campuses, once owned by Corinthian Colleges and sold to ECMC's Zenith Group. The Department added 16 new schools to the lower level of the list, the majority added for failing the Department's financial responsibility standards. Furthermore, ED added 10 schools to the second tier. In total, the Department removed 81 schools that were on either level of heightened cash monitoring in March from the list, including the 12 Corinthian-owned campuses that shut down in April.

Heightened Cash Monitoring Over Time:

	March 1, 2014	March 1, 2015	June 1, 2015
# on HCM1	454	474	413
# on HCM2	75	69	70
Total	529	543	483

Table from Inside Higher Ed

New Jersey Lawmaker Proposes Lottery to Clear Winners of Student Debt

A New Jersey state representative proposed legislation last Monday that would establish a lottery where the winners' student debt would be paid off. The winner would not receive the funds directly, but instead they would go straight to the institution where the money is owed.

A third party vendor who would receive 25 percent of the earnings would run the lottery. Entrants would pay up to $3 per ticket in order to compete, and only loan borrowers will be eligible to enter. Since the idea is so new, there are not concrete details on how often the lottery would take place.

The idea has received significant backlash. Natalia Abrams, executive director of the advocacy group Student Debt Crisis told *NJ.com*, “Gamble to pay off your student loan? It’s all kinds of wrong. I think that if they can afford 15% of what they owe they should just pay it to their student loan servicer.”

For more information, see:
http://www.nj.com/politics/index.ssf/2015/07/a_lottery_to_pay_off_student_debt_nj_lawmaker.html

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July 13, 2015

Monica Jackson
Office of the Executive Secretary
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552

Re: Docket No. CFPB-2015-0021

Dear Ms. Jackson:

The Coalition of Higher Education Assistance Organizations (COHEAO) appreciates the opportunity to submit comments to the Consumer Financial Protection Bureau's (CFPB's or Bureau's) request for information (RFI) regarding student loan servicing, Docket No. CFPB-2015-0021. COHEAO members are colleges, universities, and organizations dedicated to promoting the Federal Campus-Based loan programs and other aspects of student financial services

The RFI did not specifically identify Perkins Loans or institutional loan programs among the "main types of post-secondary education loans," but Perkins Loans provide $1 billion in low-cost loans to low and moderate income students on an annual basis, and institutional loans serve an important niche within the education finance market. Additionally, Campus-Based loans from the Department of Health and Human Services and institutional loans, regardless of their terms and conditions, are also defined as "private education loans" under federal laws and regulations within the Bureau's jurisdiction.

Part A: Issues Related to Student Loan Repayment

Part A of the RFI offers a narrative on the student loan servicing marketplace, including a discussion of business models and incentives for performance and working with delinquent borrowers. The document appears to be influenced largely by borrower complaints, but the CFPB does not have the capacity to verify the validity of complaints. Often, complaints to the Bureau are resolved with an explanation.

Through campus-based servicing, both in Perkins Loans and institutional loan programs, the involvement of schools as stakeholders improves the borrower experience. First and foremost, the school remains a contact point for borrowers and a resource to resolve any issues that may arise.

In the case of the Perkins Loan program, the loans are offered to low and moderate income undergraduate and graduate students, including those studying fields aimed at public service. Institutional loan programs are nearly always targeted toward a specific group of borrowers. The individual campus-based loan programs, considered "private education loans" whether offered by a public, non-profit, or for-profit institution, are most often offered at excellent terms—usually very similar to Perkins Loans—to low income students. The programs can also have very specific requirements, and generous terms, as they are often endowed by private donations.

Regardless of whether it is a Perkins Loan or an individual institutional loan program, the involvement of colleges and universities in student loan servicing improves the borrower experience. Some institutions service these loans internally while others outsource these operations. In both cases, however, schools are positioned to assist borrowers directly and appropriately devote resources to provide the best service, particularly those with eligibility for specific campus-based loan benefits and borrowers facing repayment difficulties.

Part B: Practices Related to Student Loan Repayment

In the case of Perkins Loans, the servicing of these loans is governed by federal regulation, specifically 34 CFR 674. These regulations include specific requirements related to billing practices and due diligence. However, the institutions of higher education participating in the Perkins Loan Program and their vendor partners nearly always go above these requirements, and best practices in Perkins Loan servicing are often extended to all types of campus-based loan servicing.

Responses to several of the Bureau's specific questions, as they relate to the servicing of Federal Campus-Based Loans and other institutional loan programs, are listed below:

(1) Please describe the extent to which issues related to the following common student loan servicing policies and procedures should inform policymakers and market participants considering options to improve the quality of student loan servicing, including but not limited to:

a. *Processing, allocation, and application of payments (including partial payments and prepayments):*

    In order to provide the best benefit (minimize interest accrual) to the borrower, the processing of payments should be credited according to:

    - (Mail)—Date received by the servicer
    - (Telephone)—Date that the payment information and authorization is received by the servicer and authorization is granted by the borrower.
    - (On-Line)—Date that the payment information and authorization is received/processed by the servicer and authorization is granted by the borrower
    - (Payment Received From Third Party such as Lender/Servicer/Collection agency)—Payment should be posted based on date payment was received and processed by the Lender, Servicer/Collection Agency or any other third party entity who participates in the student loan marketplace. Example: If the collection agency is set up to report payments on a monthly cycle and received the payment on the 10th of the month the servicer

should back date the payment for the 10th of the month to provide the best benefit to the consumer. Any additional interest accrual should be adjusted accordingly.

<u>Application of payments:</u>
Institutional loan servicers, whether schools handling the loans internally or servicers partnering with multiple institutions, provide borrowers with the opportunity to direct their payments across multiple loans. Given the transient nature of higher education, some students may have loans from multiple schools with an individual servicer and they may wish to align payment due dates in these situations.

In cases where borrowers do not direct payment allocation, servicers should be permitted to apply the payments as follows:

- Partial Payments—Unless specifically directed by the borrower, payments applied towards federal student loan accounts should first be credited to the account that has the greatest delinquency measured by days delinquent since last scheduled payment. Applying payments by greatest delinquency date first provides greater borrower protection from further penalties associated with default. If the numbers of days delinquent is equal amongst all federal loans being serviced, the servicer should have the authority to split payments either evenly or by highest interest rate. In the case of non-federal loans, payments should be distributed evenly amongst all accounts in repayment status if the accounts include any type of student debt that could be impacted by state statute of limitations as well as other federal/state regulations/laws that could negatively impact the creditor's asset. The servicer should include disclosures on the borrower's billing/invoice system on the methodology used for payment application.

- Pre-Payments—Unless specifically directed by the borrower and/or contractual language that is included in the borrower's promissory notes or repayment agreement, the servicer should have the authority to split payments either evenly amongst all of the loans in repayment or by the highest interest rate accrual. The servicer should include disclosures on the borrower's billing/invoice system on the methodology used for payment application. If the borrower has multiple loans that include some accounts designated as in grace/not in repayment, current or in deferment/postponement, and/or in repayment, the prepayment should be applied towards the account in repayment and/or delinquency status.

b. The imposition and disclosure of late fees, including the impact of late fees across billing

The imposition of late fees is governed by the agreement language contained in the promissory notes of the account(s). Servicers are contractually obligated to impose late fees in accordance with the conditions included in the agreement. Assessment of late/impact fees after the payment scheduled date that would not have been assessed on the actual payment posting date should be waived prior to posting of the actual payment.

c. *The complaint resolution process (including the consumer's ability to adequately request and receive accurate and timely responses for information and corrections related to their account)*

The involvement of campuses in Perkins Loans and other institutional loan programs often minimizes complaints. However, it is impossible to guarantee every borrower will always be a happy customer.

Borrowers in the Perkins Loan Program also have the ability to seek the assistance of the Department of Education's Student Loan Ombudsman for any dispute regarding how their loan repayment is handled. This information is provided to the borrower during entrance and exit counseling, within their master promissory note, and via verbal and written communications.

Successful complaint resolution is dependent upon quick and accurate responses to concerns associated with loans. Providing alternative forms of communication other than traditional notifications such as mail and inserts in statements would greatly improve the timeliness of information being provided to the consumer. Servicers and borrowers are being negatively impacted by the recent Federal Communication Commission's ruling in regards to the Telephone Communication Protection Act (TCPA) that restricts real time communication. Enabling servicers to communicate by using electronic platforms such as email, automated messages, or text to borrowers would speed up and greatly enhance the quality of service.

e. Furnishing of credit information to credit reporting agencies (including the appropriateness, adequacy, and accuracy of the information furnished)

Credit furnishers are obligated under the Fair Credit Reporting Act to provide accurate information to credit bureaus. Federal regulations also require institutions of higher education and/or their servicers to submit credit information to credit bureaus. Credit files are electronically submitted to the national credit bureaus with the status of the borrower's account as of the date that the file was produced. Federal loans in particular allow for benefits that may be processed retroactively. This creates challenges in properly reporting the accurate credit history of the account. A federal loan may be reported delinquent or in default, but subsequently it could be returned to good standing, even rehabilitated. The borrower's credit history has to include negative events although the regulations require that the credit report for rehabilitated loans, for example, does not show that they defaulted.

Student loans are in many instances the consumer's first experience with credit. The reporting of timely payments enables student borrowers to build a credit history that is used for future purchases such as homes and automobiles. However, students are only able to successfully build this credit history if they understand essential financial literacy concepts, such as the impact of delinquency and default on future purchases.

(2) Please describe the extent to which issues related to the following common student loan servicing policies and procedures should inform policymakers and market participants considering options to improve the quality of student loan servicing for borrowers in distress, including but not limited to:

a. *Procedures servicers utilize to ensure that borrowers can avail themselves of alternative repayment options;*

   For the Federal Campus-Based loan programs (Perkins, Health Professions and Nursing Student Loans) there are many types of deferment options if a borrower is unable to pay according to their standard repayment period. Borrowers are also allowed to extend the standard 10-year repayment period for extenuating circumstances. These modifications, as well as repayment incentive programs, are governed by 34 CFR 674. Information is provided to borrowers on repayment alternatives, such as deferments, forbearances, and extensions, during entrance and exit counseling, within the Master Promissory Note, as well as through oral and written communications.

b. *The circumstances in which a fee occurs or should be permissible, and the manner of disclosure of servicing-related fees, including those imposed for modifications or cessation of payment (e.g. forbearance or deferment);*

   In the case of Perkins Loans, all late fees charged are charged in accordance with the federal regulations and the occurrence of a late fee is disclosed to the borrower in their Master Promissory Note. For institutional loans, the use of late fees varies across schools, but they are not designed to maximize revenue. At a minimum, the use of late fees is a practice to enforce repayment schedules by catching the borrowers attention as well as offsetting the additional costs related to servicing and/or collections.

   e. Disclosure, accessibility, and availability of affordable modification options;

   For the Federal Campus-Based loan programs (Perkins, Health Professions and Nursing Student Loans) there are many types of deferment options if a borrower is unable to pay according to their standard repayment period. Borrowers are also allowed to extend the standard 10-year repayment period for extenuating circumstances. These modifications, as well as repayment incentive programs, are governed by 34 CFR 674. In the case of institutional loans, many similar practices are followed. Information is provided to borrowers on repayment alternatives, such as deferments, forbearances, and extensions, during entrance and exit counseling, within the Master Promissory Note, as well as through oral and written communications.

   f. The adequacy and clarity of communication regarding certain borrower rights to discharge debt (e.g., in cases of school misconduct, borrower disability).

   Perkins Loans borrowers are afforded the option for Total and Permanent Disability discharge. Once they complete and submit the disability application, the review process and the decision for disability discharge rests with the Department of Education. Perkins borrowers are also eligible for cancellation of their loan for qualifying service in designated fields. This information is provided to the borrower during entrance and exit counseling, in their Master Promissory Note, and throughout the repayment process.

Borrowers in the Perkins Loan Program also have the ability to seek the assistance of the Department of Education’s Student Loan Ombudsman for any dispute regarding how their loan repayment is handled. This information is provided to the borrower during entrance and exit counseling, within their master promissory note, and via verbal and written communications.

(3) Please identify any unique issues that are specific to certain segments of the student loan borrower population related to the common student loan servicing practices, operations, policies, and procedures described above. Responses should consider borrower segments with unique characteristics, including but not limited to servicemembers, veterans, and their families; first-generation college attendees; current or former attendees of Historically Black Colleges and Universities (HBCU) or Minority-Servicing Institutions (MSI); and older Americans.

The Federal Perkins Loan Program provides low-cost student loan financing to borrowers with demonstrated financial need. This includes many first-generation college students, those from minority populations, servicemembers and students from HBCUs. Staff at schools and servicers are trained to work with borrowers to assist them in challenges with regard to repayment of their Perkins loan as well as assist with questions regarding their other federal loans.

Borrowers receive during entrance and exit counseling information on the many deferment options that are available. The most unique aspect of the services afforded to Perkins borrowers is that the loan is handled by the institution and their designated servicer throughout the enrollment and repayment period. This is particularly important as the program is aimed toward servicemembers, teachers, and other public service providers, and it delivers a much more personable experience for the borrower when they can contact their school directly for any type of assistance they need regarding their loan.

Conclusion

Thank you for the opportunity to offer this input on behalf of the members of COHEAO. As the Bureau continues to explore student loan servicing, we are confident you will continue to find campus involvement and other concepts associated with campus-based servicing to be a critical tool for improving loan performance and the consumer experience for borrowers.

Sincerely,
The Coalition of Higher Education Assistance Organizations

wpllc
WASHINGTON PARTNERS LLC

Make Your Voice Matter.

EVENT BRIEF

Chairman Alexander's HEA Keynote at AEI

JULY 17, 2015

Prepared by: Wes Huffman (whuffman@wpllc.net)

Before heading over to the Senate for the final votes on the reauthorization of the Elementary and Secondary Education Act, which ultimately overwhelmingly passed with 81 votes, HELP Committee Chairman Lamar Alexander delivered a keynote address on his priorities for the reauthorization of the Higher Education Act. Buoyed by discussions with Majority Leader Mitch McConnell commending the work on ESEA and suggesting there may be floor time for HEA later this year, Alexander again indicated he plans to have a bipartisan bill ready for the Committee to review in September and expects a markup to be completed by October.

To open the speech, Alexander referenced his recent *Wall Street Journal* op-ed where he outlined his priorities for HEA and emphasized that college is affordable for most students. He then read from numerous responses indicating he was "out of touch" and "has been a politician too long" to understand the struggles families face in financing higher education. The HELP Chairman said these responses are indications his comments "struck a nerve," but also noted the final letter to the editor was very succinct: "Think education is expensive, try life without it." Alexander downplayed his comments on the overall affordability for a most students, stating, "I never said it was easy, just easier than most people think."

The Chairman's HEA Priorities

Alexander used the anecdote on the *Journal* op-ed and its accompanying responses to establish the need for reforms, but to also note there are many great things about American higher education. An overriding theme will be to provide better information on student outcomes without interfering with autonomy. As such, Alexander put forward the following issues as his top priorities:

- Ending over-regulation
- Ending useless federal data collection
- Improving accreditation system
- Institutions sharing in risk on federal student loans

The four issues were identified in the *Wall Street Journal* op-ed, which gives a nice quick summary of the Chairman's thinking. The speech at AEI provided a few more details on each of these topics.

Ending Over-Regulation

Alexander noted there is bipartisan support for reducing the burden of federal regulations in higher education, specifically pointing to his recent work with Sen. Barbara Mikulski (D-MD) and others to convene a committee of higher education leaders to address these topics. The Senators asked this group, which included university presidents and was coordinated by the American Council on Education, to produce specifics. The ACE group returned with a report listing 59 burdensome regulations, with 10 as top priorities. Alexander indicated that HEA will be seeking to address many of these recommendations and end the "jungle of red tape" that surrounds HEA.

Ending Useless Federal Data Collection

An issue related to the burdens of regulation is what the Alexander deems as "useless" federal data collection. To illustrate this point, he referenced a 400+ page survey for community colleges and 900 pages of guidance from ED on providing consumer information to students.

Alexander said the most important thing in this area for Congress was not only what information is necessary, but also how it can be useful for consumers. He indicated the federal government was incredibly good at collecting information from universities, as evidenced by the extensive examples he provided earlier, but its ability to disseminate the information in a useful fashion was inadequate.

Accreditation Reform

Turning to accreditation, Alexander seemed to have less of a firm idea of where the Committee will be headed on this issue. However, he did reference the Committee's recent hearing on the topic, saying "I learned a lot," indicating although there is bipartisan agreement the accreditation process has to improve, as with many things in higher education, there will likely be differences on how to make such improvements.

Alexander said the hearing helped him further understand that the accreditation system was not nearly focused enough on the quality of institutions and academic programs and was far too involved in other aspects of campus operations, such as fire codes and finances. This was the topic where the Chairman gave the fewest details, but he did question whether regional accreditation bodies make sense in current times. He also mentioned allowing accreditors more flexibility and discretion for institutions they deem "low-risk." Accreditation was a key topic for the panel discussion that followed Alexander's remarks, and it is clear there are numerous views from across the political spectrum on the role of the accreditors in higher education.

Institutional Risk-Sharing for Federal Student Loans

It is clear that Alexander sees risk-sharing as critical for reforming federal student loans. Connecting it to over-borrowing, the Chairman indicated a move to risk-sharing would ensure institutions have some responsibility, or vested interested in, helping students borrow wisely. In turn, this may lead to lower costs. In discussing over-borrowing, Alexander mentioned that schools currently have little recourse in limiting federal loans and some aid administrators are even discouraged from counseling students.

The details on risk-sharing are still very much up in the air. Alexander mentioned a proposal from Sen. Jack Reed (D-RI) that is targeted toward low-performing institutions as one potential model for risk-sharing. It is clear the Reed risk-sharing plan is targeted at for-profit colleges. Alexander said "as a matter of principal and fairness," loan risk-sharing should apply to all schools, regardless of tax status. However, he did say he was open to different risk-sharing models for institutions with different missions, and Congress must be mindful of the "unintended consequences" associated with these types of proposals.

Conclusions and Next Steps

Alexander intends to proceed on HEA the same way he and Ranking Member Patty Murray (D-WA) worked together on ESEA reauthorization. He noted the ideological diversity of the HELP Committee, which includes Sens. Bernie Sanders (I-VT) and Elizabeth Warren (D-MA) on the left and Sens. Rand Paul (R-KY) and Tim Scott (R-SC) on the right, and how it still unanimously approved ESEA during markup.

The HELP Chairman said he was encouraged by the "bipartisan head start" on HEA related legislation, listing the FAST Act, the Burr-King student loan repayment simplification legislation, and a pending bill to address over-regulation as areas of commonality between the parties. Alexander also said the work on ESEA is a most significant step toward a strong effort on HEA and mentioned how pleased McConnell was with that process. He said he hopes to have a bipartisan draft to the Committee by September with plans to report out a bill by October. Alexander indicated it could be a bill that is "sitting on the shelf" for when leadership wants to again move another major bipartisan authorization bill, and it could happen this year.

Top staffers on both sides of the Capitol continue to point toward the August Recess as a time for drafting legislative text and indicate they are hopeful for a markup in the fall. This timeframe may be possible in the House, but still seems ambitious, particularly considering reports the Education and the Workforce Committee intends to next address the Child Nutrition Act.

In the Senate, Ranking Member Murray's staff has expressed exasperation with the pace of Chairman Alexander's agenda. With a conference on ESEA looming, it is easy to see how education staff in individual offices, regardless of party, may ultimately agree with that assessment. At AEI, Chairman Alexander seemed quite intent on moving quickly to HEA, but Republican HELP staffers have acknowledged the September timeline may be a bit aspirational.

Additional Information

- Additional information on the event, including archived video, is available online: **http://goo.gl/roJnb9**
- Chairman Alexander's recent op-ed for the *Wall Street Journal* is available online: **http://goo.gl/k4QWv0**