



Coalition of Higher Education Assistance Organizations  
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April 17, 2012

Monica Jackson  
Office of the Executive Secretary  
Bureau of Consumer Financial Protection  
1700 G Street NW.  
Washington DC 20006

Re: Docket No. CFPB–2012–0005

The Coalition of Higher Education Assistance Organizations (COHEAO) submits the following comments in response to the Bureau’s proposed rules [Docket No. CFPB–2012–0005/ RIN 3170–AA00] “Defining Larger Participants in Certain Consumer Financial Product and Service Markets.”

COHEAO is an association of institutions of higher education and their service providers that foster access to postsecondary education through the implementation of the Perkins Loan Program (Department of Education), Health Professions Loans (Department of Health and Human Services) and of institutional loan programs of various types. The membership is a diverse partnership of some 300 educational and commercial members from around the country. The membership represents educational institutions and commercial members that have disbursed roughly \$30 billion in campus-based loans to over 27 million students.

COHEAO respectfully requests that the CFPB exclude from t agencies that are have contracts to recover federal student accounts. This request is grounded in the fact that all who have contractual agreements to manage accounts owed to the federal government are already thoroughly audited at least annually under standards set by the federal government. These audits, for example, are required by Department of Education regulations for collectors of Federal Family Education Loans and by 34 CFR 668.25 for Federal Perkins Loan accounts. Because most collection agencies that contract to recover student accounts have multiple clients, they have multiple audits each year.

For example, if an agency has several guaranty agency clients, each of the guaranty agencies does an independent audit of their portfolio each year. In fact, some guaranty agencies do two audits a year. If that agency is also doing Perkins collections, they must have the 34 CFR Section 668.25 audit done each year on all their school portfolios. In addition, those agencies which are also contractors under the Federal Department of Education contract must have an audit each year.

These on site audits include review of recordings of telephone calls to consumers, account file notes, training materials, interviews with management staff, any complaints against the agency, and any activities related to the account recovery process.

These audits are critically important to the agencies that service federal accounts as the findings are reported to the Department of Education. Further, all guaranty agencies use the results of these audits as part of the competitive rankings formula for their service providers which is used to determine future business and continued participation. The Department of Education also makes similar use of this audit information when it ranks agency performance and allocates future accounts.

Those who provide account recovery to institutions of higher education must have provisions in their contracts requiring these audits and that a copy of the 668.25 audit findings must be provided to the institution each year. Those contracts also typically include provisions requiring respectful treatment of their future alumni. Agencies with poor audit findings and poor complaint histories are not renewed.

Thus, agencies that provide recovery services for federal student accounts are currently being audited to federal standards, and generally are audited more frequently than the CFPB would have resources to accomplish. It is correct that an agency which does federal account resolution might have other business not in the federal arena. However, if an agency has the training and oversight culture to meet the compliance standards required for their federal portfolios, they will bring the same training and oversight to their non-federal account resolution activities.

COHEAO recommends that the Bureau devote its resources to the supervision of debt collection agencies that do not have a federal collection contract. By exempting agencies with federal contracts from the definition of a larger agency and additional Bureau supervisory activities, the Bureau will be able to devote more resources to those entities which are not subject to the annual audits and other oversight inherent in contracts and processes for agencies that service federal loan accounts.

Thank you for the opportunity to comment on these regulations.

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