The Torch

April 12, 2013

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

COHEAO News

- **2013 COHEAO Mid-Year Conference—Registration Now Available**
  Registration is now available for the COHEAO Mid-Year Conference. Click here to register!

Congress

- **Republican Senators Introduce Bill for Variable, Fixed Student Loan Rates Based on 10-Year Treasuries**
  Senators Tom Coburn, M.D. (R-OK), Richard Burr (R-NC), and Lamar Alexander (R-TN) introduced the "Comprehensive Student Loan Protection Act," S. 632.
- **House & Senate to Examine College Affordability, Student Aid Programs April 16**
  The Senate HELP Committee and the House Subcommittee on Higher Education and Lifelong Learning both announced hearings on college affordability and student aid for April 16 this week.

White House & Administration

- **President's Budget Includes Higher Education Tax Proposals**
  The President's budget was released on Wednesday.
- **Orange Book Released for Status of Default as of June 30, 2012**
  The Department of Education released the latest Orange Book, which provides a calculation of default rates for Perkins Loans, this week.
- **COHEAO Responds to CFPB Request for Information on Private Student Loan Repayment**
  COHEAO submitted comments on the CFPB request for information on private student loan repayment and payment affordability.
- **CFPB Releases (and Subsequently Modifies) New "Paying for College" Tool**
  The Consumer Financial Protection Bureau yesterday released a new tool for its "Paying for College" initiative designed to allow students to compare financial aid award letters.
- **IFAP Update—Special Allowance Rates, Impact of Sequestration, and More**
  The IFAP website was very active in the past couple of weeks with the Department releasing information of great interest to the student lending and financial aid communities.

Industry News

- **Financial Literacy Update: Bernanke Speech & Discover Survey**
  April is "Financial Literacy Month," or in some circles, such as the Obama Administration, "Financial Capability Month."
- **In the States: Student Loan and Financial Literacy Legislation in CA & ME**
  In the past week, state legislation relating to student loans and financial literacy in higher education has caught the attention of local and trade media.
- **Kantrowitz Moving to Edvisors**
  Edvisors announced Mark Kantrowitz will be joining the team as Senior Vice President and Publisher of the Edvisors Network.

Attachments

- **COHEAO Commercial Members**
- **Board of Directors**
- **COHEAO Spark on President's FY 2014 Budget**
- **COHEAO comment letter on CFPB private student loan payment affordability RFI**

COHEAO News

2013 COHEAO Mid-Year Conference—Registration Now Available

Registration is now available for the COHEAO Mid-Year Conference. Click here to register!

The conference is set for July 28-30, 2013 at the Hotel Monaco, the same location as the successful Mid-Year Conference in 2011—right downtown, in the Loop, a short distance from the famed Miracle Mile, the Navy Pier and many other attractions that make Chicago famous.

Most important, however, will be the comprehensive, useful agenda that will offer a tremendous amount of useful information for the attendees. The agenda will include reports on the latest activities that affect Perkins Loans and other campus-based accounts receivable, with emphasis on financial literacy programs, the Consumer Financial Protection Bureau and many other topics. A preliminary agenda and additional information will soon be available on the COHEAO website.

The hotel has offered a very favorable rate for Chicago of $169 per night to COHEAO Conference delegates, so start planning your trip! The rates are available, subject to room availability, three days before and after the conference. The cut off to make reservations is **July 12, 2013**. Please call 1-800-397-7661 and mention the group name "COHEAO Mid-Year Conference 2013" to get their special group rate. You can also make reservations online at: https://gc.synxis.com/rez.aspx?Hotel=26729&Chain=10179&arrive=7/28/2013&depart=7/31/2013&adult=1&child=0&group=12380602698

Congress

Republican Senators Introduce Bill for Variable, Fixed Student Loan Rates Based on 10-Year Treasuries

Senators Tom Coburn, M.D. (R-OK), Richard Burr (R-NC), and Lamar Alexander (R-TN) introduced the "Comprehensive Student Loan Protection Act," S. 632. The Senators describe the legislation as a "permanent solution to the problems created by temporary, arbitrary interest rates on federal student loans."

The bill requires that, for each academic year, all newly-issued Stafford, Graduate PLUS, and Parent PLUS loans be set to the U.S. Treasury 10-year borrowing rate plus 3 percentage points. This is very similar to President Obama's budget proposal.

However, there are differences. Most notably, S. 632 has a universal rate for both Stafford and PLUS Loans, where the President proposes separate interest rates for Subsidized, Unsubsidized, and PLUS loans. Perhaps equally as important, the Senators' bill directs any remaining savings to the Treasury for the purpose of deficit reduction while the President would use much of the savings to expand Pay as You Earn to all borrowers, eliminate taxes on loan forgiveness before putting any of the funds toward deficit reduction.

The Congressional Budget Office included this proposal in its recent budget options, providing potential savings of $21 billion over ten years. Coburn and Burr introduced similar legislation in the 112th

Congress. In a sign of the volatility of budget scoring on the student loan programs, last year, the CBO estimated the Coburn-Burr legislation would save $52 billion over the same ten year timeframe.

Additional information is on the bill is available online:
http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=2c0f4051-d482-4b61-8f87-c59519ae1993

House & Senate to Examine College Affordability, Student Aid Programs on April 16

The Senate HELP Committee and the House Subcommittee on Higher Education and Lifelong Learning both announced hearings on college affordability and student aid for April 16 this week.

The full Committee hearing in the Senate is titled, "The Challenge of College Affordability: The Student Lens." The Committee is preparing for multiple panels of witnesses. However, only the first panel has been announced thus far. Below is the current list of witnesses:

- **Ethan Senack** , Higher Education Associate, US Public Interest Research Group, Washington, DC
- **Derrica Donelson** , Student, Lipscomb University, Nashville, TN
- **Dr. Sara Goldrick-Rab** , Associate Professor of Educational Policy Studies and Sociology, University of Wisconsin-Madison, Madison, WI
- **Vivica Brooks** , Student, Bowie State University, Bowie, MD

The House Subcommittee hearing, "Keeping College Within Reach: The Role of Federal Student Aid Programs" is scheduled for 11:00 am. Witnesses have yet to be announced. Below is a description from the media advisory on the hearing:

The Higher Education Act was established in 1965 to help low- and middle-income students achieve their dreams of attending college. Under the leadership of House Republicans, the 2008 reauthorization of the law included several provisions geared toward improving transparency in higher education. For the first time, the law requires colleges and universities to make information about price; financial aid; and basic information, such as demographics and graduation rates, more readily available to the public.

Without a doubt, the 2008 reauthorization of the Higher Education Act started the process of empowering consumers. But as tuition continues to rise at an astonishing pace, it is clear more work must be done to help students and families make informed choices about their higher education options without overwhelming institutions with counterproductive red tape.

The Higher Education Act will once again be due for reauthorization in the 113th Congress. As the committee begins to discuss policies to strengthen the law, Tuesday's hearing will provide members an opportunity to discuss opportunities to simplify and strengthen federal aid programs to help more students earn a college degree.

For more information and links for webcasts for the House hearing, visit www.edworkforce.house.gov/hearings.
For more information links for webcasts for the Senate hearing, visit:
http://www.help.senate.gov/hearings/hearing/?id=58f4674b-5056-a032-5244-d855725503e9

White House and Administration

President's Budget Includes Higher Education Tax Proposals

The President's budget was released on Wednesday. COHEAO members were sent a Spark on the budget's proposals relating to the Federal Student Aid programs, which is also attached with today's edition. Also included are several tax proposals related to higher education. Additional information from the Treasury Department on these proposals is available online: http://www.treasury.gov/resource-center/tax-policy/Documents/General-Explanations-FY2014.pdf.

Tax provisions of interest, along with page numbers from the full Treasury document, are listed below:

- Modifications to the Form 1098-T reporting requirements, including a new reporting requirement for scholarship providers (Page 170)
- Exclude from income for student loan forgiveness in IBR and ICR repayment programs for "certain borrowers." (Page 131)
- Permanent extension of the American Opportunity Tax Credit (Page 6)
- A proposal to "allow more flexible research arrangements for the purposes of the private business use limits." (Page 120)

Orange Book Released for Status of Default as of June 30, 2012

The Department of Education released the latest Orange Book, which provides a calculation of default rates for Perkins Loans, this week. The overall rate for Perkins borrowers entering repayment in 2010-2011 and defaulting by June 30, 2012 was 11.08 percent, an increase from the previous year. Additional information from the Department is available online: http://www.ifap.ed.gov/perkinscdrguide/1112PerkinsCDR.html.

The description accompanying the Orange Book from FSA is listed below:

The Federal Perkins Loan Program Status of Default as of June 30, 2012, known as the Orange Book, is a report that lists each school that participated in the Federal Perkins Loan (Perkins Loan) Program during the 2011-2012 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 2011-2012 and Application to Participate for 2013-2014 (FISAP), and includes all schools reporting Perkins Loan funds regardless of whether or not they advanced funds to students in FISAP Part III, Section A, field 4.

The attached report is organized alphabetically by state or territory. Schools are listed alphabetically under the state or territory in which they are located. The following information is provided for each school:

- *Column A, Number of Borrowers Who Entered Repayment Status in 2010-2011*
  (Source: FISAP, Part III, Section D, field 1.1 or Section E, field 2.3)
- *Column B, Borrowers from Column A in Default on June 30, 2012*
  (Source: FISAP, Part III, Section D, field 1.2 or Section E, field 2.4)
- *Column C, Cohort Default Rate*
  (Source: Column B divided by Column A)
- *Column D, Total Number of Borrowers in Default 240 Days or More*
  (Source: FISAP, Part III, Section C, sum of fields 5.2, 5.3, and 5.4, column b)

- *Column E, Total Principal Outstanding on Loans in Default 240 Days or More (Source: FISAP, Part III, Section C, sum of fields 5.2, 5.3, and 5.4, column d)*

Notes:

1) *For schools that had less than 30 borrowers enter repayment during the 2010-2011 Award Year, Columns A and B reflect the aggregate number of borrowers for the three most recent award years (2008-2009, 2009-2010, 2010-2011). These numbers are used to calculate the cohort default rate reported in Column C.*
2) *Columns D and E include borrowers and amounts in default 270 days or more for loans repayable in quarterly installments.*
3) *State and territory summary information is provided at the end of the listing for each state and territory. National summary information is provided at the end of the report.*

COHEAO Responds to CFPB Request for Information on Private Student Loan Repayment

The CFPB sought comments on private student loan repayment and payment affordability. COHEAO submitted comments which are attached with today's edition. Overall, more than 8,400 comments were submitted.

A listing of the comments submitted is available online:
http://www.regulations.gov/#!docketDetail;rpp=100;so=DESC;sb=docId;po=0;D=CFPB-2013-0004
The full RFI is available online: **https://www.federalregister.gov/articles/2013/02/27/2013-04419/request-for-information-regarding-an-initiative-to-promote-student-loan-affordability**

CFPB Releases (and Subsequently Modifies) New "Paying for College" Tool

The Consumer Financial Protection Bureau yesterday released a new tool for its "Paying for College" initiative designed to allow students to compare financial aid award letters.

If the school up for comparison has signed up for the Shopping Sheet and provides it to their prospective students in XML Code, the tool is designed to allow them to simply copy and paste the code to enter all of their information. If the school does not provide the code or make use of the Shopping Sheet then the prospective student must enter the information manually.

Though the Shopping Sheet is a voluntary tool, the initial CFPB language relating to schools not using it appears to have caught the attention of some in the higher education community. Yesterday, it stated:

> *As of March 2013, this school did not choose to use the Financial Aid Shopping Sheet, a tool developed by the Department of Education and CFPB to allow students and families to make apples-to-apples comparisons on college costs and financial aid*

To the CFPB's credit, the language was changed quickly. It now states:

> *You'll need your financial aid offer information to complete the next section. Use your offer letter to enter your scholarships, tuition, and other info*

Below is the text of an email sent by CFPB Student Loan Ombudsman Rohit Chopra announcing the release of the new tool:

Good afternoon,

Spring is here, and students across the country are receiving college acceptance letters. It's an exciting opportunity, but it comes with a lot of decisions to make, like how to pay for it. Cracking the code of financial aid is a big (and sometimes stressful) part of making that final choice, and it's not always easy to figure out which school is giving you the best deal. You may have to take on student debt to finance your dreams, but it shouldn't have to be so stressful.

We've built something you can use to compare your financial aid packages, side-by-side. It's supported by data from thousands of schools that have provided information about the costs of a college education.

Compare your financial aid offers now:
http://www.consumerfinance.gov/paying-for-college/compare-financial-aid-and-college-cost/

You can compare offers from community college, bachelor's, certificate, and graduate programs to help you with this big decision. If you're a servicemember or veteran, you can see how your GI Bill benefits can help with costs as well.

College is a big decision and an exciting next step. We want to work with you to help you choose the best financial approach for your college experience.

Start comparing now.

Congratulations on your next big step!

IFAP Update—Special Allowance Rates, Impact of Sequestration, and More

The IFAP website was very active over the past two weeks with the Department releasing information of great interest to the student lending and financial aid communities, including updates on how to handle the sequester-caused increase to Stafford and PLUS loan origination fees. Below is a list of Electronic Announcements and Dear Colleague Letters of interest:

Electronic Announcements

- ***2013-04-11*** *(Loans) Subject: Loan Servicing Information - Second Quarter's Customer Service Performance Results*
- ***2013-04-05*** *(General) Subject: Update: Impact of Sequestration on the Title IV Student Aid Programs*
- ***2013-04-05*** *(Loans) Subject: StudentLoans.gov Resources - Enhanced Loan Counseling Clarifications*
- ***2013-04-05*** *(Campus-Based) Subject: 2013-2014 Final Funding Authorizations for the Campus-Based Programs*
- ***2013-04-05*** *(COD System) Subject: COD Processing Update*
- ***2013-04-04*** *(General) Subject: Volume 4 - Processing Aid and Managing FSA Funds [2013-2014 Federal Student Aid Handbook]*
- ***2013-04-02*** *(Direct Loans) Subject: Updated Guidance on Making Direct Loan Refunds of Cash*

FFEL Special Allowance Rates

- ***2013-04-04*** *During the Quarter Ending: March -31-2013*

Additional information is available online: **http://www.ifap.ed.gov/ifap/whatsnew.jsp**

Industry

Financial Literacy Update: Bernanke Speech & Discover Survey

April is "Financial Literacy Month," or in some circles, such as the Obama Administration, "Financial Capability Month." As such, there are numerous reports released and events convened in Washington and throughout the country to mark the occasion. A speech from Federal Reserve Board Chairman Ben Bernanke and a survey of high school students from Discover are highlighted below.

- Federal Reserve Board Chairman Ben Bernanke gave taped remarks at this year's RISE Conference at the University of Dayton. In his speech, Bernanke spoke to financial and economic education as a critical mission of the Fed. A point buoyed by the in-person attendance of two Federal Reserve Bank Presidents, Dennis Lockhart of Atlanta and Charles Evans of Chicago, at the event. Bernanke's full remarks, which include links for the RISE conference, are available online: **http://www.federalreserve.gov/newsevents/speech/20130404a.htm**

- Discover Financial released a survey showing high school students believe personal finance to be the most important subject in school, tied with math and ahead of science and technology. Unfortunately, only 29 percent report having taken a class on the subject. A press release on the survey, which also highlights Discover's Pathway to Financial Success program, is available online: **http://investorrelations.discoverfinancial.com/phoenix.zhtml?c=204177&p=RssLanding&cat=news&id=1802788**

In the States: Student Loan and Financial Literacy Legislation in CA & ME

In the past week, state legislation relating to student loans and financial literacy in higher education has caught the attention of local and trade media. In California, a state lawmaker is seeking support for a package of legislation on these issues, while in Maine, the legislature recently passed legislation insuring student loans from credit unions and requiring financial literacy courses to obtain such loans.

In California, the *Los Angeles Times* reports:

> *Assemblyman Bob Wieckowski (D-Fremont) is joining the students to seek support for a package of bills he has introduced.*
>
> *One bill, AB 233, would prevent wage garnishing on student loans not made or guaranteed by the government, while AB 534 would require universities to provide entrance and exit counseling to students regarding institutional or state-funded loans.*
>
> *A third bill, AB 391, would require high school students to take a class on personal finances, including topics such as budgeting, savings, paying for college, borrowing and credit.*

> "Our students should be able to pursue their dream of a college degree without having to jeopardize their financial future by going deep into debt," Wieckowski said in a statement.

In Maine, the *Credit Union Times* reports:

> *Maine Gov. Paul LePage may soon sign into law proposed legislation that could encourage the state's credit unions to provide student loans, according to the Maine Credit Union League.*
>
> *Backed by the MCUL, the law would provide loan insurance on supplemental student loans. The bill, which was recently passed by Maine's House and Senate, also would require students to take a financial education class in order to receive a loan.*
>
> *…*
>
> *In his testimony, Casburn said the legislation would encourage more credit unions to get involved with providing student loans, which would benefit students and parents.*
>
> *MCUL President John Murphy said the financial education provision in the proposed law reinforces the credit union industry's financial literacy advocacy. The $343 million Maine State CU in Augusta helped the league and state officials draft the bill, Murphy said.*

The *Los Angeles Times* article is available online: http://www.latimes.com/news/local/political/la-me-pc-student-finance-20130408,0,5951224.story
The *Credit Union Times* article is available online: http://www.cutimes.com/2013/04/12/credit-union-backed-student-lending-bill-awaits-go

Kantrowitz Moving to Edvisors

Edvisors announced Mark Kantrowitz will be joining the team as Senior Vice President and Publisher of the Edvisors Network. In this role, Kantrowitz will spearhead the expansion of quality content across the Edvisors network.

The announcement also states, "He will also continue to serve as a thought leader within the financial aid community. With more than two decades of experience in financial aid, scholarships and student loans, Kantrowitz is an invaluable resource to those seeking information on higher education."

Before joining Edvisors, Kantrowitz was Publisher of the Fastweb and FinAid web sites. He has been called to testify before Congress about student aid on several occasions and is interviewed regularly by news outlets. Kantrowitz is also the author of five books, including three about student aid.

The full announcement is available online: http://www.sfgate.com/business/prweb/article/Mark-Kantrowitz-Joins-Edvisors-Team-4421387.php#ixzz2QGduqIPW

COHEAO Would Like to Thank Our Commercial Members for Supporting
More Education for More People

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COHEAO

Sparks

Updates on relevant events, hearings, and policy developments from the Coalition of Higher Education Assistance Organizations

April 10, 2013

The President's FY 2014 Budget

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

Today, the President released his budget for Fiscal Year 2014. In terms of student loans and higher education, the proposal was very much like last year's, including a call for eliminating traditional Perkins Loans and replacing them with a direct loan called Unsubsidized Perkins. Notably, the budget doesn't propose to change the Perkins program until after FY2014. At a Department of education briefing this afternoon, a Budget Office official said that the program definitely continues through FY2015, re-iterating previous ED guidance. Below are some of the highlights, as identified by the White House:

- ***Campus-Based Aid Programs.*** *The Budget provides more than $10 billion for Supplemental Educational Opportunity Grants, Federal Work Study, and Perkins Loans, including a $150 million increase for the Federal Work Study program to put the program on track to double the number of participants over five years. The Budget also proposes reforms to these programs so that the funds are directed toward institutions that are succeeding in enrolling and graduating students from low-income families, setting a responsible tuition policy, and demonstrating good value.*

- ***Maintains a Strong Pell Grant Program.*** *Since 2008, the Administration has increased the maximum Pell Grant by more than $915, to $5,645. The Budget continues the Administration's strong commitment to the Pell Grant program and to preserving the maximum award, and includes measures that ensure full program funding through the 2015–2016 academic year. The Administration believes that action must be taken to keep the Pell Grant program on a sound footing, and that reforms such as those included in the Budget are necessary to maintain this critical investment in opening the doors of opportunity to all Americans and strengthening our Nation's competitiveness.*

- ***Makes Student Loan Interest Rates More Market-Based.*** *Under current law, interest rates on subsidized Stafford loans are slated to rise this summer from 3.4 percent to 6.8 percent. At a time when the economy is still recovering and market interest rates remain low, the Budget proposes a cost-neutral reform to set interest rates so they more closely follow market rates, and to provide students with more affordable repayment options. The rate on new loans would be set each year based on a market interest rate, which would remain fixed for the life of the loan so that student* *borrowers would have certainty about the rates they would pay. The Budget also expands repayment options to ensure that student borrowers do not have to pay more than 10 percent of their discretionary income on loan payments.*

In terms of Perkins Loans, the proposal has received one minor tweak to conform with changes proposed for the Stafford and PLUS loan programs—annually changing interest rates. Beyond that change to the interest rate, the Perkins proposal is the same: The President is calling for the elimination of the current program to be replaced by essentially an expansion of Direct Lending under the terms and conditions of the Unsubsidized Stafford Loan Program. The President's proposal calls for loan allocations under the new program to be tied to the enrollment and completion of Pell Grant recipients, among other measures for providing "good value," particularly for those with low incomes.

Importantly, without legislative changes, the current program will continue. In their budget materials, the Department of Education indicated the current program is authorized through 2014 with an automatic extension to 2015, just like most of the other Title IV programs.

As COHEAO members know, the President's continued insistence upon proposing the Perkins "modernization and expansion" has made obtaining funding a challenge. If Congress rejects the Unsubsidized Perkins proposal, as they have done for the past four years, funding is still needed for loan cancellations in the current program. This year's budget shows what COHEAO members have known all along, this unfunded requirement is depleting an important source of financing for low-income students and families.

This year's budget appendix shows that the amount available for Perkins Loans is dwindling. Last year, the budget indicated roughly $970 million would be lent each year in Perkins Loans. This year, it states that $857 million was lent in 2012 and projects that same total across 2013 and 2014. Notably, the George W. Bush Administration called for the elimination of the Federal Capital Contribution (FCC) because the program had reached $1 billion in 2004. Now, in the face of increasing college costs, funds are diminishing under a Democratic administration—well below the $1 billion marker set by the Bush Administration and its PART tool.

The President's proposal on Stafford and PLUS loan interest rates looks very much like proposals from Republicans in the House and Senate. In fact, the day before the release of the President's budget, three Republican Senators—HELP Ranking Member Lamar Alexander (R-TN) & Sens. Richard Burr (R-NC) and Tom Coburn (R-OK)—Introduced a measure, S. 628, which also calls for "market-based" rates.

Under the Coburn-Burr plan (so named because the two introduced the same bill last year), all Stafford and PLUS loan interest rates would be tied to the 10-year Treasury note plus 3 percent. The President calls for differentiation among the Stafford, Unsubsidized Stafford, and PLUS loan rates. A table comparing the two proposals is listed below:

Loan	President Spread	Coburn-Burr Spread	Current 10-Yr T-Bill	Rate (President)	Rate (Coburn-Burr)
Sub Stafford	0.93	3.00	1.81	2.74	4.81
Unsub Stafford	2.93	3.00	1.81	4.74	4.81
PLUS (Grad & Parent)	3.93	3.00	1.81	5.74	4.81

As the table outlines, there is relatively little difference between the President's plan and the Coburn-Burr legislation. House Education and the Workforce Committee Chairman John Kline has called for similar legislation, but has yet to introduce anything. The remaining key player is HELP Committee Chairman Tom Harkin (D-IA).

In the past, Harkin has indicated a willingness to accept variable rates, provided there is a cap on the overall interest rate. The President explicitly removed such caps, which in addition to Harkin, is a critical point for student groups who worked extensively in support of the President's campaign effort. The day before the release of the budget three such groups—the United States Student Association (USSA), US PIRG, and Young Invicibles—released a report criticizing (and vastly overstating) the "profits" for Uncle Sam under the Direct Loan program in advance of their advocacy efforts around the doubling of Subsidized Stafford rates. According to ED officials, the Administration believes that its expansion of income-based repayment to cover all federal loan borrowers will serve the same purpose as a rate cap.

A surplus in the Pell Grant program caught many by surprise a few months ago, but it has relieved some pressure on the Department of Education's budget. The President's budget indicates it can fully fund Pell through 2015-2016. The maximum award for the upcoming year is proposed at $5,785.

With Pell Grants on stable footing, the major question for the year will be interest rates. On April 16, the HELP Committee is scheduled to host a hearing on the student loan programs and college affordability which is likely to give some indication on how Chairman Harkin is leaning on the issue. The deadline of July 1, particularly given the "#dontdoublemyrate" rhetoric of last year's campaign, continues to loom.

Even with bipartisan agreement on the need for market-based rates, a comprehensive review of the student loan and college cost issue seems like a major lift before the July 1 deadline. Details, such as interest rate caps and the role of IBR/Pay as You Earn in making college truly "affordable," need to be discussed, which leads some observers to believe another one-year fix on Stafford rates will happen and many of these proposals will receive consideration in the run-up to a reauthorization of the Higher Education Act. In anticipation (or perhaps in hopes of) this delay, Rep. Joe Courtney (D-CT) and 67 House Democrats introduced a bill calling for extending the current rate for two years so Congress has adequate "time to craft a thoughtful long-term solution to address this growing problem."

Additional Information:

- Overview for President Obama's FY2014 budget: http://www.whitehouse.gov/omb/overview
- Department of Education section of the FY2014 budget: http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/education.pdf
- Department of Education budget appendix: http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/edu.pdf
- *Inside Higher Ed*, "Interests Diverge on Interest Rates": http://www.insidehighered.com/news/2013/04/10/obama-said-propose-market-based-interest-rate-student-loans
- *Chronicle of Higher Education*, "Calls Mount for Changing How Interest Rates Are Set on Federal Student Loans": http://chronicle.com/article/Calls-Mount-for-Changing-How/138451/

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April 8, 2013

Re: Docket No. CFPB-2013-0004

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

Re: Request for Information to determine options that would increase the availability of affordable payment plans for borrowers with existing private student loans

Dear Ms. Jackson:

The Coalition of Higher Education Assistance Organizations (COHEAO) would like to submit a comment in response to the Request for Information to determine options that would increase the availability of affordable payment plans for borrowers with existing private student loans. COHEAO is a diverse association whose members include institutions of higher education and their service providers from around the country with a shared interest in fostering access to postsecondary education for students from low-income backgrounds.

COHEAO represents the people who manage campus-based student loan programs starting with the federal Perkins Loan Program, but now including the wide variety of institutional and State government loan programs that colleges offer their students as well as other receivables. COHEAO members find themselves affected by the laws and regulations that apply to all student loans – federal, State and private – including loans not governed by the Higher Education Act of 1965. Our members often are the ones on campuses who work with students and former students having trouble with loan repayment.

In recent years, as part of its expanded mission, COHEAO has concentrated its energies and expertise more and more on taking measures to prevent borrower distress. Our members frequently have the job of collecting debt owed by current and former students. Our experience has shown that many college students begin their higher education experience with little or no knowledge of basic financial facts. Many times, students leave college only minimally more versed in the financial education or financial literacy that they will need to succeed as adults in the working world, and especially as adults who face student loan and other financial obligations. The first focus of our activity in this regard has been to encourage improved financial education at campuses by fostering dissemination of best practices through training programs and other means.

In other words, although the Bureau's initiative to seek ways to improve the repayment experience of borrowers is a worthy one, and we fully support this concept, we believe any discussion of improving outcomes for student loan borrowers should also include a discussion of making good decisions about higher education BEFORE incurring student loan debt that is difficult to manage.

COHEAO commissioned a White Paper on Financial Literacy in 2012 which has been shared with the Bureau and other policy makers and which is posted on the COHEAO website at: http://www.coheao.com/wp-content/uploads/2011/04/COHEAO-Whitepaper-Financial-Literacy-on-Campus-.pdf . This provides an informative overview of financial literacy activities in higher education, including some specific examples of programs already underway.

One example is that of Duke University in North Carolina. The problem Duke faced is one that many campuses face, whatever their loan default rate, and is characterized as follows:

Because Duke's student loan default rate was already very low, lowering the default rate was not the primary driving force behind this project. Instead, we realized that students were graduating unprepared to manage their personal finances. This became even more concerning as larger numbers of students were graduating with higher levels of debt. If we were successful, the program's constituency would be using our website, attending student-led workshops, utilizing peer counseling, and graduating with less accumulated debt – in short, a cultural change in which students would acquire financial literacy as a life skill….

Duke worked across many campus offices to put together a comprehensive financial literacy program which launched April 1, 2012. It drew 2,200 unique visitors in its first month and continues to be marketed vigorously on campus, with ongoing workshops and outreach to students. Campus administrators are pleased with the initiative.

Though we continue to seek to improve our program and broaden the reach of Personal Finance @ Duke, we considered our first major effort a success. Given the wide array of talent and enthusiasm that exists on every university campus, the creation of a successful financial literacy program can be achieved by harnessing and channeling those skills and energy into a financial literacy program that fits the institution and its students. Collaboration was the key to our first-year success.

Along similar lines, the University of Illinois, Chicago, has developed its own program, described in part like this:

…Charged with decreasing the number of students who withdraw from the University due to financial reasons, the first endeavor that SMMC took on was developing the iBudget Financial Literacy requirement for students who became past due with the University.

The iBudget Financial Literacy Requirement consists of a 30-minute video, a survey and a balanced budget completed with the Budget Builder, a tool created by the University of Illinois Office of Public Engagement and repurposed for free to meet the needs of students fulfilling the requirement. The student must complete a Past Due Payment Plan Agreement with USFSCO's Customer Service and make a down payment before we can review their materials, but once a balanced budget is submitted along with the quiz results after watching the video, we can *approve the financial literacy requirement, and Customer Service can release the registration hold that was placed on the delinquent student's account.*

This approach to financial literacy is somewhat retroactive, since it occurs after the student has gotten into financial trouble. However, we are seeing results—the financial literacy requirement led to a reduction in failed Past Due Payment Plans of 14% when compared to the previous cohort of Past Due Payment Plan enrollees. Students who would not have been eligible to register for another semester were able to continue in school due to their participation.

Other efforts that SMMC spearheaded in our first couple years of existence have been much more proactive. For instance, students receiving student account refunds at the beginning of the semester appear to have difficulty making that money last until the next financial aid disbursement date and sometimes end up owing money back to the University.

We are hopeful that reaching out to students receiving a $200 refund or more at the beginning of the semester will decrease the number of students requesting emergency loans before the next disbursement. We currently send an email to all students with a refund greater than $200 directing them to watch a video covering what the "refund" is, how to budget for it and reasons they could owe money back to the University. In the future, we hope to make this outreach more interactive through feedback we receive from a survey that accompanies the video.

The White Paper includes a number of other examples and useful references. But COHEAO also strongly believes that an important, and obvious, key to avoiding financial distress after leaving college is to better educate prospective students and their families before they start. There are many initiatives underway by governments, school districts and the private sector to spread the mantra of financial education, but more needs to be done at the high school level. COHEAO encourages these initiatives and especially encourages collaborative efforts involving colleges and universities and their local communities to install financial literacy in high school curricula.

COHEAO appreciates the Bureau's interest in coming up with solutions that will lead to better outcomes for student loan borrowers and help find a way out of debt problems. As an organization made up of professionals who are on the front lines in working with students' finances, including current and former students having financial trouble, we continue to offer to assist the Bureau in finding positive solutions.

Sincerely,

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On Behalf of the COHEAO Board of Directors