The Torch

December 7, 2012

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

COHEAO News

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  On Wednesday, the National College Access Network (NCAN) hosted an event on Capitol Hill to release a recent report and foster a discussion about the current federal student aid system and how it might better serve students and produce improved persistence and completion rates.

Attachments

- **Affordable Perkins Loans Needed: Good for Students, Taxpayers**
- **COHEAO Commercial Members**
- **Board of Directors**

COHEAO News

Expanded Membership Opportunities Available for COHEAO Institutions

As we have previously announced, as an added membership benefit, COHEAO is now extending all Institutional members an invitation to add two (or more) associate members at no additional charge.

Though we remain firmly committed to our roots in Perkins Loans, just as the responsibilities of our members have evolved, COHEAO is now involved in numerous issues, including campus accounts receivable management, student loan repayment, financial literacy, and the Consumer Financial Protection Bureau's expansion into higher education.

As these issues touch many campus offices, we wanted to provide our member schools with the opportunity for more people to participate in COHEAO's activities and directly receive our information. We also believe this expansion will help the strength of our collective voices with issues before the Congress, the Department of Education and other federal agencies.

If you have yet to do so, please click the link below now to provide COHEAO membership benefits for your campus colleagues, and also to complete a very short but important survey!
https://s.zoomerang.com/s/COHEAOMembershipSurvey

COHEAO Webinar Examines the 113th Congress and Organization's Plans for 2013

COHEAO hosted a free webinar yesterday, "A Look at the 113th Congress & COHEAO's Plans for the Upcoming Year."

COHEAO Vice President Maria Livolsi and Secretary Edgar DelosAngeles explained the organization's goals for the upcoming year as well as opportunities for additional participation within COHEAO. Harrison Wadsworth, COHEAO's Executive Director, provided an update on the elections and what to watch for in the 113th Congress. COHEAO President Bob Perrin provided more specifics on COHEAO actions and membership.

Thanks to the numerous members (and their colleagues) who attended the live webinar. An archived webcast and presentation materials will soon be posted to www.coheao.org

COHEAO to Host Webinar on Ethics in Higher Education on December 13

COHEAO is pleased to announce we will be hosting a webinar on ethics in higher education on Thursday, December 13 at 2:00 PM ET. The featured speaker at this event is Dr. Robert Dixon, Director, Grants and Contracts Financial Administration at Oklahoma State University. Click here to register today:
https://netforum.avectra.com/eweb/Shopping/Shopping.aspx?Site=COHEAO&WebCode=Shopping&cart=0

Higher education has its own unique culture, and like all cultures, it has its own established ethical principles. Though most of those ethical principles can be found in other businesses and in society as a whole, there are additional standards, written and unwritten, that supports the very mission of higher education. This webcast will frame the ideals of an ethical university.

With a background in both business and academia, and perhaps more importantly, the business of higher education, Dixon is uniquely positioned to provide insights on this important topic. Bob currently serves as the Director of Grants and Contracts Financial Administration at Oklahoma State University, and has served in various administrative capacities at Oklahoma State University and Mercer University. He has participated as an U.S. Department of Education trainer for Blue Book, Reauthorization, and Compliance. In addition to holding an Ed.D., Dixon also received the National Association of College and University Business Officer's 2007 "Professional Development Award" and is a Certified Fraud Examiner (CFE).

- **What: Ethics in Higher Education: A Discussion with Dr. Bob Dixon of Oklahoma State**
- **When: December 13, 2:00 PM-3:30 PM Eastern**
- **Costs: $49 for COHEAO Members/$99 for Non-Members**
- **Additional Info: http://www.coheao.com/conference-events/upcoming-events/webinars/**

The 2013 COHEAO Annual Conference—Come to DC to Learn More on ED & the CFPB

The COHEAO Annual Conference offers those involved in student financial services, particularly loan servicing and collection, an opportunity to learn first-hand from the key players in Washington on what to look for in the 113th Congress. Registration for the 2013 COHEAO Annual Conference is now available. Click here to register!

In addition to sessions from the Department of Education, COHEAO Executive Director Harrison Wadsworth, and a look at the CFPB, the conference will also include an "ask an attorney" session for a discussion of legal issues affecting student financial services. The conference will also feature a presentation on the recently released COHEAO paper, "Financial Literacy on Campus: Raising Awareness, Creating and Developing Programs, and Improving Effectiveness."

The conference will explore other pressing issues in student financial services, such as the use of technology and consumer expectations, reforming the Telephone Consumer Protection Act (TCPA), servicing and collections in institutional lending for international students.

The event will again be held at the Ritz-Carlton Pentagon City, which is located just outside of Washington, DC. COHEAO has again been able to negotiate a great rate of $219 for conference attendees at this fantastic venue. To receive the COHEAO rate, you can call the Ritz Carlton at (703) 415-5000 and tell them you are attending the 2013 COHEAO Annual Conference. You can also register online by visiting https://www.ritzcarlton.com/en/Properties/PentagonCity/Reservations/Default.htm#top and entering a special discount code included with your 2013 COHEAO Annual Conference registration confirmation.

We will be providing additional details on the 2013 COHEAO Annual Conference via email and through www.coheao.org. As always, if you have any questions on this event, please contact Wes Huffman of COHEAO (whuffman@wpllc.net, 202.289.3910), and we look forward to seeing you in January.

- **When: January 27-January 30, 2013**
- **Where: Ritz-Carlton Pentagon City (located in Arlington, VA, near Reagan Airport, and just outside of Washington, DC)**
- **Costs: Institutions and Organizations: ($590 members, $690 non-members); Commercial: ($590 COHEAO members; $1,590 non-members). ***Please note: fees increase after January 9***
- **Additional info: http://www.coheao.com/conference-events/upcoming-events/**

Congress

Update on the "Fiscal Cliff"

In this the third week of the Lame Duck session, Congress made little progress on avoiding going over the so-called "fiscal cliff". There have been many dueling press conferences, with complaints launched by one side or the other about "bad faith offers" and a general "unwillingness to compromise."

The Republican leadership in the House of Representatives did send a counter-offer to the President's proposal that had been labeled a non-starter by Speaker Boehner (D-OH) and Minority Leader McConnell (R-KY). Though it did not include an agreement to raise tax rates it did talk about $800 billion in "tax revenues." It also asked for steeper cuts in both entitlement and discretionary spending and said a loud "no way" to the President's request that he be able to raise the debt ceiling without Congressional approval. In other words, the gulf between the two sides remains deep and wide.

Periodically a Republican sets off a trial balloon suggesting that maybe they could consider tax increases in some form. These are quickly shot down. On the Democratic side, someone will occasionally suggest that tumbling over the fiscal cliff in the absence of a "good deal" would be the smart thing to do. Supporters of this idea have even tried to re-brand the fiscal "cliff" as a fiscal "slope." It has not worked. The response to those comments is that "the public sent us here to solve problems not create them." In other words, amid all the political posturing it is hard to gauge how much—if any—progress is being made.

When they are not reading or talking about the fiscal cliff, education advocates are in meetings throughout the city trying to grasp what the real consequences would be if the Congress and the White House failed to act. At such a White House meeting last week, attendees were urged by members of the Administration to get the word out to constituents that if elected officials fail to reach an agreement to increase revenues (i.e., raise taxes)—thousands of school budgets will be cut, tens of thousands of teachers will be laid off and critical programs like IDEA, Title I and federal student aid will be cut significantly.

To quote someone from the Office of Management and Budget, "The fiscal cliff is all about a revenue base that enables the government to invest in education." They seemed very serious and called the situation urgent. This same OMB official said, "That is why President Obama is at a toy factory in Pennsylvania today making his case about keeping middle class taxes low and raising taxes on millionaires," and it was suggested that this is somehow related to the holidays.

The Administration is asking education advocates to push hard for their proposal to raise tax rates on family incomes of $250,000 or above. The carrot for the education community would be a one-year delay in the sequestration cuts. The revenue raised from tax increases would go to other areas including spending programs (stimulus) the Administration wants.

FY2013 Funding Work Presents Opportunity

The continuing resolution that is keeping the government running does not expire until late March, but appropriations staffers have been hard at work trying to come up with compromise bills to fund all the federal agencies. If they are successful the Congress will try to get a budget bill to the President's desk before the holidays. That is a big if, however, as there are 12 bills to resolve, many points of disagreement, and that little matter known as the "fiscal cliff," which could greatly impact, or possibly even scrap, the work of the appropriators.

The continued work on the FY13 spending bills presents a small opportunity for Perkins advocates to discuss the need for repaying the government's loan cancellation obligations in this program. Estimates of government data indicate more than $300 million in loan cancellations have not been repaid to institutions and some schools are owed as much as 50 percent of the loans they have cancelled.

Though the budgetary environment does not bode well for funding, the Labor, Health and Human Services and Education spending bill is always one of the most contentious, and all it takes is one dedicated champion. COHEAO members in Kentucky have been reaching out to House Appropriations Committee Chairman Hal Rogers (R-KY) on the need to repay cancellations and an updated set of talking points is attached with today's edition. COHEAO members are encouraged to reach out to their Congressional delegation, particularly if they serve on an Appropriations Committee, and help them understand the Perkins Loan issue.

Of course, the appropriations process is fraught with areas of disagreement and any sort of major deal on the fiscal cliff could greatly impact FY 13 spending, so there is a chance the work could be all for naught. Regardless, a big effort is underway to forge an agreement. If some kind of bill is put together—it would be called a minibus if not everything is included—and Labor-HHS-ED is left out, the likely outcome in March would be a continuing resolution for the rest of the year.

Harkin, Miller Offer Support for Variable Rates with One Important Caveat

Speaking at an event on the future of higher education at the Brookings Institution, Rep. George Miller, Ranking Member on the House Education and the Workforce Committee, acknowledged that the pending interest rate spike for subsidized Stafford Student Loans may preclude HEA reauthorization this year.

"The question is whether Congress can deal with those and a rather restricted time line. I think these questions appear to me almost larger than the time frame," Miller said of HEA and the July 1, 2013 date when Subsidized Staffords are set to double at the Brookings event.

Miller also said that Committee Chairman John Kline has declined to provide him with a timeline for HEA reauthorization and Kline reiterated he wasn't ready to talk about timing when asked by reporters. However, ever since the "#dontdoublemyrate" election year debate of this past summer, Kline and others have been pushing for a variable rate. Senate HELP Committee Chairman Tom Harkin (D-IA) indicated has indicated he is open to such a proposal, albeit with an important caveat—the rate would have to be capped.

In the current environment, a switch to variable rates not only provides students with cheaper loans, it also provides Congress with the budgetary savings to at least offset the cost preventing Subsidized Stafford rates from doubling. However, the inclusion of a cap would likely take away much of the savings and make a switch to variable rate loans much less appealing to Congress.

From 1992-2005, federal student loan interest rates were variable with caps ranging from 8.25%-9%. In 2006, Congress moved to fixed rates at 6.8 percent for Stafford Loans and 7.9 percent for (Direct) PLUS Loans.

Miller Requests Information on Student Loan Servicing

Representative George Miller (D-CA), the Ranking Democrat on the House Education and the Workforce Committee, sent letters to GAO and several lenders on the servicing and collection of private and federal student loans. Miller has sent three separate letters (or types of letters):

1) A letter to GAO: A letter requesting GAO examine student loan servicing. The letter focuses on private student loans, but also expresses concern with federal loan servicing, and suggests GAO may want to coordinate these efforts with those related to a request from Committee Republicans on the Direct Loan program.
2) A letter to private lenders that also service federal student loans: Letters were sent to Sallie Mae and PHEAA, claiming the companies are "uniquely positioned" to assist with the student debt issue
3) A letter to private lenders: Letters have been sent to at least two major banks, Citi and Wells Fargo, which were identified in the CFPB report.

Though the CFPB has indicated it forwards many complaints to the Department of Education, Miller's effort leads with private student loans. Federal student loans are not mentioned until the third paragraph of the Ranking Democrat's letter to GAO or the accompanying press release, which borrows Rohit Chopra's language on "roadblocks runarounds, and dead-ends" on repayment. Like Chopra, Miller also makes comparisons between private student loans and the subprime mortgage market.

A press release is also available online: http://democrats.edworkforce.house.gov/press-release/miller-requests-cooperation-private-student-loan-lenders-addressing-challenges-faced

Petri Positioning for New Student Loan Withholding Plan

Bloomberg reported this week on proposed legislation from Rep. Thomas Petri (R-WI) to replace federal student loan servicing and collections with an income withholding scheme similar to what is in place in the United Kingdom and Australia. The article suggested the bill may be formally introduced "as soon as this week," but that never came to fruition and Petri's office indicates they do not expect the House to consider the legislation until next year.

Petri's proposal would replace traditional repayment on Stafford and Grad PLUS Loans with automatic withholding, which would be administered by the Department of Education in coordination with the Internal Revenue Service (IRS). The bill would eliminate Subsidized Stafford Loans and loan forgiveness (both IBR and public service) entirely, but limit interest to 50% of the principal balance once entering repayment. At this point, it is unclear what impact, if any, Petri's proposal would have on the Parent PLUS and Perkins Loan programs.

In terms of budget scoring, the elimination of the in-school interest subsidy and loan forgiveness would generate a great deal of savings for the government, but the limitation of interest is a bit of a wild card in terms of whether or not it would cost or save the government money. For instance, officials in the UK, the repayment scheme most-often cited by Petri and others, have indicated that more than half of borrowers will ultimately have part of their balance written-off.

Petri has been unabashed in his criticism of student loan collection and the "financial ruin" these programs can cause for borrowers with bad outcomes. The article, which was written by John Hechinger, a journalist who has written "hit pieces" on the student loan collection industry in the past year, presented Petri's proposal as a means of student loan reform which will save $1 billion by removing collection agencies from the federal loan programs.

Hechinger's reporting suggested the plan was a new idea although it is pretty much a slight variation of something Petri has proposed for nearly 20 years. Some outlets picked up on the story and presented Petri's proposal to students. It was widely panned.

"I think that's a terrible idea," Cara Lewis, a sophomore at Virginia Commonwealth University, told WWBT-12 of Richmond, VA.

Lowey Named Top Democrat on House Appropriations Committee

House Democrats voted on Committee Ranking Members for the 113th Congress this week. A listing of the most relevant Committees is included below:

- Rep. Nita Lowey (NY) - Appropriations
- Rep. George Miller (CA) - Education and the Workforce
- Rep. Maxine Waters (CA) - Financial Services
- Rep. Chris Van Hollen (MD) - Budget

In accepting her new role as Ranking Democrat on Appropriations, Lowey indicated the importance of education funding. In the past, she has been a supporter of Perkins Loans.

On the Republican side, Rep. John Kline (R-MN, Education and the Workforce), Rep. Hal Rogers (R-KY, Appropriations), and Rep. Paul Ryan (R-WI, Budget) will remain in place as Chairman. Representative Jeb Hensarling (R-TX) will take over as Chairman of the Financial Services Committee for Rep. Spencer Baucus (R-AL) who was term-limited.

White House & The Administration

Pay as You Earn ICR Plan to Begin December 21

The Department of Education this morning published the accelerated implementation date for student loan borrowers to enroll in the new, more liberal income contingent repayment plan (ICR) – called "Pay as You Earn." The date is two weeks from today, Friday, Dec. 21. The announcement can be found here: http://www.gpo.gov/fdsys/pkg/FR-2012-12-07/pdf/2012-29525.pdf

PAYE reduces the proportion of the borrower's "discretionary income" (as defined by ED) for monthly payments to 10 percent, down from 15 percent in the initial ICR and in Income Based Repayment. It also reduces the length of repayment to 20 years, down from 25 years under the original ICR/IBR. Critics of PAYE, such as the New America Foundation, argue the generous terms may encourage more borrowing and will provide a "windfall" for wealthy borrowers in terms of loan forgiveness. In publishing the final regulations, the Department acknowledged there is a potential for "unintended moral hazard" with the new repayment scheme, but said the issue needed to be studied more carefully.

PAYE applies only to loans made after September 30, 2012, but including Consolidation Loans, and borrowers cannot have a loan disbursed before October 1, 2007. Going forward, the new IBR terms will apply to all loans made after September 30, 2013. The Administration used its authority to modify the terms and conditions of the original income-contingent repayment (ICR) plan to provide the more generous benefits on an accelerated basis.

A Dispatch from Orlando & the 2012 FSA Conference

Roughly 6,000 delegates attended the annual Office of Federal Student Aid (FSA) conference in Orlando last week.

Acting Assistant Secretary David Bergeron in opening remarks focused on the President's 2020 goal of leading the world in college completion in his remarks to open the conference. At this point the US is 14th in the number of 24-35 year olds with some college, slightly down from last year. He said that there is a ways to go in achieving the goals.

Bergeron also reported that "President Obama is increasing Pell Grants to $5,635 in 2013-14" thanks in part to savings from eliminating the bank based loan program. Generally he reviewed accomplishments while saying they are optimistic that the Race to the Top ($1 billion) and, especially, the First in the World Fund ($55 million) will be funded. They are about to start a blog promoting this Fund and seeking feedback, although it has not yet been funded. The Senate's draft appropriations bill for FY13 does provide funding, which is why the Department is optimistic.

In addition, Bergeron also discussed "college choice tools," such as the Shopping Sheet, and indicated the new Pay as You Earn expansion of Income Based Repayment benefits will be available for eligible borrowers by the end of the year.

Department officials also indicated ED expects to publish information early next year on the upcoming negotiated rulemaking looking at fraud in distance education and campus cards, among other issues. That neg reg won't be announced until after publication of final regulations on FFELP, Direct Loans, and Perkins stemming from this year's negotiating round.

Other items of interest are that sessions on servicing apparently turned into gripe sessions, at least in some cases, where financial aid administrators complained that they have no say over which company services their students' federal loans. There seem to be increasing concerns over confused borrowers, especially those with multiple loan holders, and problems seem to be persisting with moving borrowers with multiple federally owned loans to one servicer.

PLUS Loans came up as well, with the Department laying out its latest policies on underwriting of parent PLUS in the opening session. Schools meanwhile are trying to cope with students whose parents received a PLUS loan last year, were denied for this academic year, then approved, sometimes after the additional Stafford borrowing had already taken place.

The Department's Jeff Baker said that ED is defining adverse credit as having a debt that is more than 90 days delinquent, including debts sent to collection agencies or written off. However, extenuating circumstances might override the adverse credit event, such as making efforts to repay, disputing the debt or the amount be de minimus (not defined precisely). If an FAA has approved additional unsubsidized Stafford borrowing for a student whose parent PLUS loan denial was reversed, the school has to stop disbursements of the additional Stafford dollars when they find out, but they don't have to reverse the excess Stafford disbursement – unless the student and parent want the school to do so.

Presentation materials from the conference are available online:
http://www.ifap.ed.gov/presentations/2012FSAConference.html

DoD Releases Updated Draft MOU for Tuition Assistance Programs

Yesterday, the Department of Defense released a draft of the long-awaited memorandum-of-understanding (MOU) for colleges and universities participating in military tuition assistance programs.

Though the new draft is a marked improvement from what was originally proposed in 2011, many issues continue to linger. The initial point of contention between DoD and many institutions was a requirement to conform to certain principles set-forth by the Servicemembers Opportunity Colleges, a voluntary association, which included certain transfer and credit for military service requirements. The American Council on Education (and others) argued this requirement infringed upon a college's academic independence.

DoD relented a bit on this provision and the MOU requires adherence to these principles or the disclosure of related policies before prospective servicemember students enroll.

However, some requirements, such as the use of the CFPB shopping sheet, remain problematic in certain parts of the higher education community. Institutions must sign the MOU by March 1 to participate in the DoD tuition assistance programs.

The draft MOU is available online: http://www.dodmou.com/MOUs/Version2/MOU_draft.pdf

NY Fed Says Student Loans Have 11% Reported Serous Delinquency Rate, Actual Rate May Be Double

In its latest *Quarterly Report on Household Debt and Credit*, the Federal Reserve Bank of New York announced that in the third quarter, non-real estate household debt jumped 2.3 percent to $2.7 trillion. The increase was due to a boost in student loans ($42 billion), auto loans ($18 billion) and credit card balances ($2 billion).

The *Quarterly Report on Household Debt and Credit* is based on data from the New York Fed's Consumer Credit Panel, a nationally representative random sample drawn from Equifax credit report data. During the third quarter of 2012, total consumer indebtedness shrank $74 billion to $11.31 trillion, a 0.7 percent decrease from the previous quarter. The reduction in overall debt is attributed to a decrease in mortgage debt ($120 billion) and home equity lines of credit ($16 billion), despite mortgage originations increasing for a fourth consecutive quarter.

"The increase in mortgage originations, auto loans and credit card balances suggests that consumers are slowly gaining confidence in their financial position," said Donghoon Lee, senior economist at the New York Fed. "As consumers feel more comfortable, they may start to make purchases that were previously delayed."

Outstanding student loan debt now stands at $956 billion, an increase of $42 billion since last quarter. However, of the $42 billion, $23 billion is new debt while the remaining $19 billion is attributed to previously defaulted student loans that have been updated on credit reports this quarter. As a result, the percent of student loan balances 90+ days delinquent increased to 11 percent this quarter.

It was a footnote, however, that caught the attention of many observers. The New York Fed has said similar things before, but by suggesting the actual default rate is closer to 22%, the latest announcement sparked another round of media concerns over a bubble and the value of a degree.

Of course, federal student loans do not enter default until the 270-day mark, which adds another layer of complexity in terms of distilling repayment data.

Additional information is available online:
http://www.newyorkfed.org/newsevents/news/research/2012/an121127.html

White House Officials Raise Alarm on Charitable Contributions Deduction

White House officials Friday encouraged university leaders to issue statements opposing what was described as a Republican proposal to cap charitable contributions at $25,000 per household. Officials described that as potentially economically devastating for colleges and universities since many higher income families from states with high state tax burdens and relatively high costs of housing would lose all of the benefit of charitable deductions. At a stake is more than $33 billion in annual contributions from private sources to colleges and universities.

The National Economic Council issued a report making the case for being concerned about the proposal on the deduction. The report is at
http://www.whitehouse.gov/sites/default/files/uploads/nec_charitable_report.pdf

Industry

PESC Announces New Student Loan Data Reporting Standard

The Postsecondary Electronic Standards Council announced a 30-day public comment period on its newly proposed *Student Loan Data Reporting* standard. This proposed standard was developed for use by banks and lenders, loan servicing companies, guarantee agencies, colleges and universities to exchange student loan repayment data and information.

The comment period opened December 5th and closes Monday, January 7, 2013. A copy of the PESC request for comments, which provides a fair amount of detail on the background on this standard, is available online: http://www.pesc.org/interior.php?page_id=227.

NCAN Calls for Federal Student Aid Overhaul

On Wednesday, the National College Access Network (NCAN) hosted an event on Capitol Hill to release a recent report and foster a discussion about the current federal student aid system and how it might better serve students and produce improved persistence and completion rates.

The report, "Increasing Return on Investment from Federal Student Aid," calls for a "thorough overhaul" of the federal student aid system and offers a series of reforms to provide more resources to students with the greatest need. It also addresses the growing preoccupation of policymakers with college completion versus college access.

Kimberly Cook, who heads up NCAN, said, "The student aid system serving our students, especially first-generation and low-income students, is designed to provide access but it has been challenging to achieve higher completion at high enough rates."

She cited the "disappointingly low" statistic of 54 percent of students who begin a four-year college program finishing within six years. To improve these results, NCAN suggests further simplification of the FASFA as well as redirecting tax credits to the Pell Grant program, which is projected to face a $6 billion deficit in the 2014-15 school year. Panelist Michael Dannenberg, Director of Higher Education and

Education Finance Policy for the Education Trust, commended NCAN for its “bold” recommendation addressing the Pell shortfall, which is a perennial issue for student aid advocates and the staff on Capitol Hill who must address it.

The three guiding principles of the paper are: 1) prioritize federal dollars for first-generation and low-income students while reshaping aid for those repaying their student loans; 2) continue to streamline the student aid application process and provide “transparent, relevant information on student outcomes”; and 3) ensure that states and institutions “share responsibility” with the federal government the financial burdens and other assistance necessary to support the graduation of low-income students.

For more information, visit http://www.collegeaccess.org/

Affordable Perkins Loans Needed: Good for Students, Taxpayers

STOP THE DRAIN: REIMBURSE CANCELLED LOANS, RESTORE FUNDING

Bottom Line: The tried and tested Perkins Loan Program is a highly efficient way to provide low-cost financing to students. Federal contributions immediately grow by one third thanks to the institutional match, and the loans are funded by past loan repayments.

- Annual appropriations are needed to strengthen campus-based revolving funds in order for higher education institutions around the nation to continue to provide Perkins Loans to the students who need them the most. Providing reimbursement for cancelled Perkins Loan $259 million and restoring the Capital Contribution with $100 million and would significantly improve college access to hundreds of thousands of students across the nation for years.

- Reimbursements for loan cancellations would result in approximately 140,000 additional low-income students across the country receiving the loans they need for higher education. ($259 million divided by the average Perkins loan of $1,852).

- Perkins Loans don't duplicate Stafford Loans. They supplement Stafford Loans and help. The interest rate for Perkins Loans is fixed at 5 percent with no origination fees – significantly less than the 6.8 percent for unsubsidized Stafford Loans (with a 1% fee) and the 7.9% for PLUS (with a 4% fee) – making Perkins Loans a way for students to finance their higher education that is efficient for the taxpayer but leaves the student owing less.

- Federal funding for Perkins Loans is an appropriation that feeds on itself and builds, starting with a school match of at least one-third of the federal funds and continuing for years as the loans are repaid and re-lent. For example, a $100 million Federal Capital Contribution for Perkins would result in at least $133 million in new capital for students because schools must match one third of the federal dollars with their own funds. Many match more than the minimum.

- Throughout the history of the Perkins Loan Program, $7.9 billion in federal contributions has been leveraged to award over $30 billion in loans to students through 26 million aid awards. This is clearly one of the most effective and efficient public-private partnerships in the federal government.

The National Defense Loan Program was created in 1958 in reaction to the launch of the first orbiting satellite, Sputnik, by the Soviet Union in 1957. It has helped millions of Americans access the dream of higher education, including many members of Congress. It remains one of the key tools students can use to finance higher education in the 21st Century.

BACKGROUND ON PERKINS LOANS

Perkins Loans are efficient, need-based, low-interest (5 percent fixed rate) loans that go to about 600,000 low-income college students with high need at some 1,800 colleges and universities each year. Interest isn't charged while students are in school, and borrowers can have all or part of their Perkins Loans cancelled if they undertake certain public service jobs for one to five years.

The Perkins Loan Program is the Nation's longest running student loan program, created in 1958 as the National Defense Student Loan Program. In addition to offering favorable terms, Perkins Loans also feature the human touch of campus-based servicing, which allows on-campus administrators to provide Perkins borrowers with one-on-one service.

To clarify, this request is not related to President Obama's proposal to create a new "Unsubsidized Perkins Loan Program." The Administration's FY 2013 budget supports creating an entirely new program that for students is simply an expansion of the Direct Unsubsidized Stafford Loan Program. All terms and conditions, all loan administration, cancellation benefits, interest rates and fees would be the same as for unsubsidized Stafford Loans. The only differences would be that campuses would have some authority to decide which students could get the loans, and the government might put new conditions on campuses that would affect how much each would have available to lend.

Here's how the efficient, low-cost current Perkins Loan Program has worked in the 54 years since it was created during the Eisenhower Administration in reaction to the launch of the Sputnik satellite by the Soviet Union.

Perkins Loan colleges and universities operate revolving loan funds. This means that current repayments fund future loans. Colleges have also contributed one-third or more of the available loan funds from their own resources.

Unlike the Unsubsidized Stafford Loan Program, but like the Subsidized Stafford Loan Program, students in school don't have to pay interest on their loans under the traditional Perkins Program, and the interest rate is low. This means they leave school with less debt.

In addition, the traditional Perkins Program concentrates on serving borrowers from low-income backgrounds who generally cannot get private education loans to supplement other aid because they and their families don't have strong enough credit.

Perkins Loans are an essential help to low- and middle-income students, a supplemental loan program that makes the difference between completing a college education and being derailed.

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