# *The* Torch

**November 8, 2013**

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

## COHEAO News

- **Registration Now Available for COHEAO Annual Conference: January 26-29, 2014, Washington**
  Registration is now available for the 2014 COHEAO Annual Conference—sign up today! Set for January 26-29 at the Ritz Carlton Pentagon City, just across the river from our nation's capital, the COHEAO Annual Conference is one you won't want to miss.
- **Seeking Nominations for the COHEAO Board of Directors**
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## Congress

- **Kline Seeks Duncan's Input on Student Loans & SCRA**
  Chairman Kline wrote Secretary Duncan last week to express concerns over student loans and the Servicemembers Civil Relief Act (SCRA).
- **HELP Committee Hearing: Attaining a Quality Degree: Innovations to Improve Student Success**
  On Thursday, October 31, the Senate Health, Education, Labor and Pensions Committee held a hearing on "Attaining a Quality Degree: Innovations to Improve Student Success."
- **House and Senate Having Hearings on Student Aid Simplification Next Week**
  The Senate Health, Education, Labor and Pensions Committee and the House Education and Workforce Committee will both be exploring financial aid simplification next week.
- **Reps. Black and Davis Introduce Legislation to Consolidate Higher Education Tax Credits**
  Representatives Danny K. Davis (D-IL) and Diane Black (R-TN) introduced the Student and Family Tax Simplification Act.
- **Harkin, Durbin Re-Introduce Modification to 90/10 Rule**
  HELP Committee Chairman Tom Harkin (D-IA) and Senate Majority Whip Dick Durbin (D-IL) this week introduced legislation in the Senate which would require for-profit institutions of higher education to obtain a larger share of their revenue from non-federal sources.

## White House & Administration

- **ED Officials: Perkins Loans Receive Automatic HEA Extension Like Other Aid Programs**
  In our conversations with ED officials, they referred to DCL-Gen-11-02, the Dear Colleague Letter which states Perkins Loans will be treated like all other aid programs, and said the program would run at least until October 2015 without any Congressional action.
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- **Department Publishes New Loan Rehab & Other Repayment Regulations**
  The Department of Education published the second set of federal student loan regulations stemming from last year's negotiated rulemaking. COHEAO President Maria Livolsi and Past President Bob Perrin make some changes to Perkins Loan regulations.
- **Department Hosts First Open Forum on Higher Education Ratings Plan**
  The Department of Education this week hosted the first of several open forums on its proposal to rate institutions of higher education.
- **President Obama Announces Nominees for Under Secretary & Assistant Secretary for Postsecondary Education**
  The Obama Administration recently announced two key appointments for higher education at the Department of Education—Ted Mitchell as Under Secretary and Ericka Miller as Assistant Secretary for Postsecondary Education.
- **ED to Launch IBR Awareness Drive**
  The income driven repayment plans in the federal student loan program have been plagued by low take-up rates. In response, President Obama has called on the Department to provide more extensive outreach on these plans and ED announced it is launching an awareness campaign.
- **FSA Indicates Sequestration Prevents Onboarding of More NFP Servicers**
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## Industry

- **UIC Research: Neediest Students Most Likely to Miss Aid Deadlines**
  Students with the greatest need for financial aid for college are the least prepared to submit the applications early enough to receive it, according to a study by a researcher at the University of Illinois at Chicago and an Illinois financial aid official.
- **In New White Paper, College Summit Seeks "End of College for All" Debate**
  College Summit released a white paper this week, "Smart Shoppers: The End of the College for All" debate.

## Attachments

- **COHEAO Commercial Members**
- **Board of Directors**
- **Special Attachment: COHEAO Board of Directors Nomination Form**
- **Special Attachment: COHEAO Spark on CFPB's FDCPA ANPR**

## COHEAO News

### Registration Now Available for COHEAO Annual Conference: January 26-29, 2014, Washington

Registration is now available for the 2014 COHEAO Annual Conference—sign up today! Set for January 26-29 at the Ritz Carlton Pentagon City, just across the river from our nation's capital, the COHEAO Annual Conference is one you won't want to miss.

In addition to professional development and networking opportunities throughout the week, the COHEAO Annual Conference focuses on how Washington impacts those working on student financial services. Click here for a draft agenda.

Multiple sessions will cover regulatory and legislative developments, and the conference provides attendees with the opportunity to visit Capitol Hill and advocate directly on issues affecting their office. New to visiting with your legislators? The COHEAO Annual Conference offers advocacy training and mentors to help guide you around the halls of Congress.

Though legislation and regulation are featured aspects of the conference, they are most definitely not the only focus. In addition to "Washington-based" sessions, the draft program currently includes sessions on financial literacy and cohort default management, credit reporting, backroom outsourcing, the use of student workers, and more. We will be posting the draft conference agenda in the coming days.

COHEAO was also able to hold the line on conference prices, maintaining the same registration rates from the 2012 Annual Conference. For COHEAO members (both commercial and institutional), the rates are $590 prior to January 8. For non-members, the rates are $690 for schools and $1,540 for commercial organizations prior to January 8. After January 8, all rates increase by $50.

The conference will be held at the Ritz-Carlton Pentagon City, a fabulous hotel in Arlington, VA, which is a very short metro or cab ride to Washington, DC. COHEAO has negotiated a special rate of $224 per conference delegate, which is an outstanding rate in the DC area for any conference hotel. Space is limited, and conference attendees must register by January 8 to receive this rate, so reserve your room today.

To reserve your room at this special price, you may call 703-415-5000 and indicate you will be attending the COHEAO Annual Conference. A website for hotel reservations is also available: COHEAO Reservations. The COHEAO group code is HAOHAOA.

We will be providing further details in the coming weeks, but we urge you to go ahead and sign up today for the COHEAO Annual Conference. It is an event you will not want to miss.

### Seeking Nominations for the COHEAO Board of Directors

COHEAO is asking for nominations for positions on the Board for a term starting in January 2014. A nomination form was sent to all members yesterday and is also attached with today's edition.

Nominations are currently being accepted for the elected positions of:

- Treasurer
- Secretary
- Member-At-Large (three positions available)

All positions are two-year terms (with a two-term limit for any individual position).

We encourage you to submit nominations. Nominations can be made via email at COHEAOelections@wpllc.net with a cc to jeane.olson@nau.edu, via fax at 1-202-371-0197, or by mailing the nomination form to:

COHEAO
1101 Vermont Ave. N.W.
Suite 400
Washington DC 20005-3521

All nominations must be received by **November 20, 2013**. Nominations can be made by any COHEAO member but only primary institutional or commercial members can serve on the Board. All nominees will be contacted to ensure their availability and interest.

The election for Treasurer, Secretary and Member-At-Large positions will be conducted via email ballot the first week of December.

If you have any questions, please contact Jeane Olson, COHEAO Internal Operations Chair, at jeane.olson@nau.edu; Harrison Wadsworth, Executive Director, at hwadsworth@wpllc.net; or Wes Huffman, Associate Director, at whuffman@wpllc.net.

# Congress

## Kline Seeks Duncan's Input on Student Loans & SCRA

Chairman Kline wrote Secretary Duncan last week to express concerns over student loans and the Servicemembers Civil Relief Act (SCRA). In part, it reads:

*Both the statute and applicable Department of Education regulations clearly state an eligible servicemember must submit to the servicer a copy of his or her military orders and a written request that the SCRA benefit be applied to the loan prior to implementation of the lower interest rate, These requirements were recently reinforced by the Consumer Financial Protection Bureau. If student loan servicers do not obtain these two pieces documentation, the servicer is not permitted to provide these benefits to servicemembers.*

*While we all want to ensure taxpayer-funded are used effectively, efficiently, and appropriately, I am concerned these SCRA requirements are creating unnecessary obstacles for servicemembers and causing significant delays in the processing of SCRA benefits. Not only is it difficult for servicemembers to obtain and provide both pieces of information, loan servicers are not able to independently verify active duty status through the Defense Manapower Data Center to alleviate either of these requirements. As a* *result, servicemembers do not always receive the benefits they deserve, and student loan servicers are unfairly criticized for trying to follow the law's requirements.*

*Our men and women in uniform should not be required to navigate an unwieldy and time-consuming application process to obtain benefits they have earned in defense of our country. As policymakers, we have a responsibility to explore the opportunities to modernize and simplify the SCRA application requirements. To this end, I request that you provide the committee with legislative recommendations the processing of SCRA benefits, while ensuring the student loan servicing industry is not unjustly punished for trying to follow the letter of the law.*

The full letter is available online: [http://edworkforce.house.gov/UploadedFiles/10-23-13-ED-Interest_Rate_Benefits_for_Servicemembers_FINAL.pdf](http://edworkforce.house.gov/UploadedFiles/10-23-13-ED-Interest_Rate_Benefits_for_Servicemembers_FINAL.pdf)

## HELP Committee Hearing: Attaining a Quality Degree: Innovations to Improve Student Success

On Thursday, October 31, the Senate Health, Education, Labor and Pensions Committee held a hearing on "Attaining a Quality Degree: Innovations to Improve Student Success." Witnesses included Richard Kazis, Senior Vice President, Jobs for the Future; Dr. William E. Kirwan, Chancellor & Chief Executive Officer, University System of Maryland; Dr. R. Scott Ralls, President, North Carolina Community College System; Timothy L. Hall, President, Austin Peay State University and Dr. Paul J. LeBlanc, President, Southern New Hampshire University.

The hearing was the second in a series in advance of HEA reauthorization. It did not offer much in the way of specifics, but did show the positions of certain Senators on select issues heading into HEA reauthorization. Senators attending included: Chairman Harkin, Senators Mikulski (D-MD), Hagan (D-NC), Murphy (D-CT), Warren (D-MA), Bennet (D-CO), Franken (D-MN), Whitehouse (D-RI), Ranking Member Alexander (R-TN) and Senator Burr (R-NC).

Though the hearing was broad in scope and stayed away from specifics, there were some interesting developments. Perhaps most notably, Alexander discussed the efforts of a workgroup on decreasing the burden of higher education regulations. The members of this group include Sens. Alexander, Mikulski, Burr, and Bennet. Throughout the hearing, the excessive burden of regulations was an ongoing theme for the witnesses. Alexander requested they offer specifics. He mentioned the efforts of the National Academy of Sciences putting forward 20 specific recommendations on STEM education and the Congress authorizing two-thirds of those recommendations as a possible model for HEA and de-regulation.

Setting the tone for the hearing, Harkin said "now is not the time to be complacent" and asked, "How can we imagine and ensure our system can work better?" Alexander added, "How do we encourage a culture of innovation in our 6,000 institutions without throwing a wet blanket over them from Washington DC?"

Panelists first shared brief testimony highlighting ways to ensure students are successfully entering and completing college while making strides in curtailing the rising costs. Kazis discussed aligning postsecondary opportunities with local and regional future employment patterns, Kirwan reviewed the work of University of Maryland University College, Ralls reviewed the work of his system in preparing graduates to transfer to four-year colleges and/or various employment opportunities within the state, LeBlanc discussed his university's work in competency-based and online education, and Hall reviewed the efforts of Austin Peay, which has received the most funding under Tennessee's performance based model.

Sen. Warren indicated she was sympathetic to the burdens of regulation, but also warned against removing accountability. In questioning LeBlanc, the SNHU president, Warren asked about the operating margins for SNHU's online classes.. LeBlanc indicated the traditional "coming of age" experience associated with going to college would need to be divorced from the provision of higher education, arguing institutions couldn't offer such an experience at affordable rates. Warren picked up on this notion and asked him about media reports of margins in excess of 25% for SNHU's online courses, stating she was uncomfortable with such cross-subsidization. LeBlanc defended the SNHU model, but also acknowledged the revenues from online courses are "reinvested" toward keeping lower costs for its traditional campus as well as its "College for America" program, which grants degrees using competency-based education. Picking up after Warren, Chairman Harkin expressed serious concerns about cross subsidization.

For witness testimony and an archived webcast of the October 31 hearing, visit:
http://www.help.senate.gov/hearings/hearing/?id=2c4b91c0-5056-a032-52a0-dba8f1e26e47
For information on submitting recommendations to the HELP Committee on HEA reauthorization, visit:
http://www.help.senate.gov/newsroom/press/release/?id=9a543412-b1d6-46aa-968c-bfd9195a4252&groups=Chair

## House and Senate Having Hearings on Student Aid Simplification Next Week

The Senate Health, Education, Labor and Pensions Committee is having its third reauthorization-related hearing at 10 a.m. on Thursday Nov. 14. The title of the hearing has been published, but a list of witnesses or other details have not. The hearing is on: "Ensuring Access to Higher Education: Simplifying Federal Student Aid for Today's College Student."

The HELP Committee is following a process for HEA reauthorization where interested stakeholders have been told to submit statements in advance of hearings on a particular topic. However, the Committee only posts the name of the hearing and witnesses in advance, leaving stakeholders to try and figure out if the Committee will be discussing issues of concern to them. The first two hearings covered broad topics, a pattern apparently being followed for next week's version. Since details are scarce for individual hearings, stakeholders will need to submit their comments often. COHEAO is preparing to submit comments to at least one hearing. The hearings are expected to continue into 2014.

The House Education and Workforce Committee has finally rescheduled a hearing postponed due to the October government shutdown. The House hearing is on the same topic as the Senate's: "Keeping College Within Reach: Simplifying Student Aid." This hearing, the latest in preparation for Higher Education Act reauthorization, will now take place at 10 a.m. Wednesday, November 13th.

## Reps. Black and Davis Introduce Legislation to Consolidate Higher Education Tax Credits

Representatives Danny K. Davis (D-IL) and Diane Black (R-TN) introduced the Student and Family Tax Simplification Act. The legislation is designed to make it easier and simpler for families to afford the costs of higher education by consolidating four separate tax provisions into one, improved and more robust education tax benefit.

The legislation consolidates four existing education provisions — the Hope Credit, the American Opportunity Tax Credit (AOTC), the Lifetime Learning Credit, and the tuition deduction — into a single, modernized and strengthened AOTC. The following are highlights of the legislation identified by Black and Davis:

- *Provide a 100-percent tax credit for the first $2,000 of eligible higher education expenses and a 25-percent tax credit for the next $2,000 of such expenses (for a maximum credit of $2,500).*
- *The first $1,500 of the credit would be refundable, meaning that families could receive the benefit regardless of whether they have Federal income tax liability.*
- *The credit could be used to offset expenses for tuition, fees and course materials.*
- *The credit would be available for up to four years of post-secondary education at qualifying four-year universities, community colleges, and trade and vocational schools.*
- *The credit would begin to phase out for families with incomes between $86,000 and $126,000 (half those amounts for single individuals), ensuring that the credit provides the greatest benefit and value to low- and middle-income families*.

Black and Davis began working on the issue of simplifying tax incentives for higher education earlier this year. The two served as the Chair and Co-Chair of the Tax Reform Working Group on Education, one of 11 separate working groups established by Ways and Means Committee Chairman Dave Camp (R-MI) and Ranking Member Sandy Levin (D-MI). The working groups were tasked with reviewing current law in their designated issue areas and then identifying, researching and compiling feedback related to the topic of the working group.

The Student and Family Tax Simplification Act is available online:
http://black.house.gov/sites/black.house.gov/files/BLACK_041_xml.pdf

## Harkin, Durbin Re-Introduce Modification to 90/10 Rule

HELP Committee Chairman Tom Harkin (D-IA) and Senate Majority Whip Dick Durbin (D-IL) this week introduced legislation in the Senate which would require for-profit institutions of higher education to obtain a larger share of their revenue from non-federal sources. Rep. Steve Cohen (D-TN) indicated he will introduce the Protecting Our Students and Taxpayers (POST) Act in the House of Representatives next week.

The current federal 90/10 rule is a provision in the law that bars for-profit colleges and universities from deriving more than 90% of their revenue from the U.S. Department of Education's HEA federal student aid programs. The other 10 percent has to come from sources other than Higher Education Act programs. The POST Act would re-instate the original ratio of 85/15 (it was loosened to 90/10 in 1998) and change the definition of what counts in the 85 percent limit to include all federal funds. The main sources not counted under current law are veterans benefits and tuition assistance for active duty military.

Additionally, according to the senators, the Durbin-Harkin POST Act would:

- Increase penalties for noncompliance with the new 85/15 rule – Under the legislation, for-profit colleges would lose eligibility to participate in federal student aid programs after one year of noncompliance with the new rule (currently, for-profit colleges must be noncompliant for two years before they lose eligibility).

- Only allow actual payments that students make on loans issued by their institutions to be counted as revenue. According to the Durbin's office, "Currently, for-profit colleges that issue private loans directly to students are allowed to calculate a large portion as revenue for the purposes of 90/10 rule compliance before any of the loan is paid back." The press release adds, "This accounting trick has led to for-profit colleges issuing private loans to students with little expectation of that loan being paid back." However, it appears current law only allows the repayments of loans made after July 1, 2012 as part of a school's 90/10 calculation.

## White House and Administration

### ED Officials: Perkins Loans Receive Automatic HEA Extension Like Other Aid Programs

In recent weeks, the COHEAO DC staff and Board members have heard reports and speculation the Perkins Loan Program is set to sunset in 2014. This would run counter to the guidance put forward by the Department of Education indicating that, just like other Title IV programs, Perkins Loans would be automatically extended for one-year if the Higher Education Act is not reauthorized by 2014.

Concerned with these reports, COHEAO reached out to the Department of Education. In our conversations with ED officials, they referred to DCL-Gen-11-02, the Dear Colleague Letter which states Perkins Loans will be treated like all other aid programs, and said the program would run at least until October 2015 without any Congressional action.

The full text of DCL-Gen-11-02 is included below. It is also available online at:
http://ifap.ed.gov/dpcletters/attachments/GEN1102.pdf

INSERT TEXT
INSERT TEXT

### CFPB Releases Debt Collection ANPR, Adds 5,000+ Complaints to Public Database

This week, the Consumer Financial Protection Bureau released an Advanced Notice of Proposed Rulemaking (ANPR) on the Fair Debt Collection Practices Act (FDCPA). COHEAO sent out a Spark on the ANPR earlier this week. It is also attached with today's edition.

COHEAO's CFPB Task Force is going to be working on a response. The response will cover collections issues affecting first and third parties and billing servicing issues.

In addition to announcing plans for developing new regulations, the CFPB also placed 5,000 complaints regarding collections in its Consumer Complaint Database, a tool designed for researchers and consumer advocates which makes complaint data available and accessible to the public.

According to the Bureau, "Currently, debt collection is on par with mortgages in terms of daily complaint volume, with both accounting for approximately 30 percent of consumer grievances." Among the topics highlighted by the CFPB:

- **Collection activities:** Consumers are complaining about harassing or unwanted phone calls; the frequency of collection activities, including the number of phone calls and other contacts; not receiving a notice of the debt; and where the notice of the debt was sent.
- **The underlying debt:** Consumers are complaining about collectors not providing verification of the debt, and being contacted about debt that has already been paid off or debt that doesn't belong to them.
- **Credit reporting:** Consumers are complaining about only becoming aware of a collection account when they find it on their credit report, and being unable to remove a collection item from their credit report.

Responding to the release of the complaints, ACA International President Pat Morris said, "Our industry takes its responsibility for compliance and work with consumers very seriously and will be carefully reviewing the data in the complaint database. Debt collectors want to work with consumers to find solutions and proactively resolve any complaints, which can only be done through communication. When given a chance, the industry has a high rate of success as outlined in the Better Business Bureau's 2012 report on inquiries and complaint statistics—United States collection agencies resolved 86 percent of the consumer complaints received in 2012; exceeding the national average of 77 percent for all industries."

Additional information from the CFPB is available online:
http://www.consumerfinance.gov/newsroom/cfpb-considers-debt-collection-rules/
The full statement of ACA International is available online: http://www.acainternational.org/reporters-aca-international-responds-to-cfpb-advanced-notice-of-proposed-rulemaking-29573.aspx

## Department Publishes New Loan Rehab & Other Repayment Regulations

The Department of Education published the second set of federal student loan regulations stemming from last year's negotiated rulemaking. COHEAO President Maria Livolsi and Past President Bob Perrin make some changes to Perkins Loan regulations.

Negotiators were able to reach consensus on these regulations, but the Department did make some substantive changes from the draft published as an NPRM. Notably, the Department said that payment amounts based on Income Based Repayment (IBR) must be offered to borrowers as "reasonable and affordable" payments to satisfy these defaulted loans in the process of rehabilitation. ED indicated it made this change in response to multiple public comments.

The regulations also allow borrowers at least 270 days delinquent to place an oral request for forbearance, but limit these requests to 120 days and do not allow consecutive 120 day oral forbearance requests. The Department indicates that some schools may be making use of forbearances in an effort to maintain a low cohort default rate, which is the reason for the restrictions on the oral forbearance requests.

The regulations are set to take effect on July 1, 2014, but the Secretary will allow for early implantation on a voluntary basis. The regulations were published in the *Federal Register* just in the nick of time as

November 1 was the last day they could be published under the Master Calendar and still be in effect by July 1, 2014.

The full regulations are available online:
http://www.ifap.ed.gov/eannouncements/110113DeptLaunchesIncomeDrivenFedStudentLoanRepaymentCampaign.html

## Department Hosts First Open Forum on Higher Education Ratings Plan

The Department of Education this week hosted the first of several open forums on its proposal to rate institutions of higher education. The forum took place at California State University—Dominguez Hills. At an event in Washington earlier this week Deputy Undersecretary Jamie Studley reiterated the Administration's current timeline for its plan:

1. Release a proposed rating system by the spring of next year
2. Receive feedback and modify the plan over the course of a year
3. Begin using (and publicizing) the ratings system by 2015
4. Design and implement a performance funding model based on these ratings by 2018

The event featured comments from higher education representatives, students, and members of the public. Education Department officials did not respond, except at the end to note how the comments were greatly appreciated and will influence their efforts going forward.

The comments were wide ranging and often addressed the general topics of college costs and student debt. Commenters generally commended the goals of the Administration's proposal and expressed concern over the impact to institutions enrolling low-income and first-generation students. Most students addressing the proposal specifically were generally supportive, if skeptical and concerned over stigmas attached with the ratings system, while college officials warned against government ratings entirely.

Perhaps the most notable (now) member of the public to address the Department officials was Eduardo Ochoa, president of California State University—Monterey Bay. Ochoa emphatically spoke to the potential unintended consequences for higher education access. Ochoa served as Assistant Secretary of Postsecondary Education until from July 2010 until July 2012, meaning he was in the unique position of expressing strong opposition to a plan put forward by his former colleague and boss, Under Secretary Martha Kanter, who also attended the forum. Kanter is leaving her post later this year.

The Department has plans for public events throughout November as well as in 2014. The schedule for the remaining open forums in November is included below:

- George Mason University in Fairfax, Va., on Nov. 13 (Note: The *Federal Register* notice indicates Arlington, Va., but the ED.gov website states Fairfax, Va.)
- University of Northern Iowa in Cedar Falls, Iowa, on Nov. 15
- Louisiana State University in Baton Rouge, La., on Nov. 21

## President Obama Announces Nominees for Under Secretary & Assistant Secretary for Postsecondary Education

The Obama Administration recently announced two key appointments for higher education at the Department of Education—Ted Mitchell as Under Secretary and Ericka Miller as Assistant Secretary for Postsecondary Education.

Mitchell has been working in K-12 policy as the head of the New Schools Venture Fund. However, he does have first-hand experience in higher education administration as he has also served as the president of Occidental College. Mitchell will be replacing Martha Kanter, a former community college president, who will be resigning to return to academia later this year.

More than a year after the departure of Eduardo Ochoa, the Obama Administration yesterday nominated Miller as the new Assistant Secretary for Postsecondary Education, the official who runs the Office of Postsecondary Education, which manages higher education policy, including the regulatory process. Dr. Miller is the vice president for operations and strategic leadership at Education Trust, an advocacy organization based in Washington.

Miller has been focused on elementary and secondary education at Education Trust, but the organization has also been active in higher education issues including commenting on the Oregon Pay it Forward proposal. Previously she led the K-12 practice at the executive search firm Isaacson Miller, ran an education consulting firm, and worked as a legislative assistant covering all levels of education issues for former Sen. Bob Kerrey, (D-NE).

If confirmed, Mitchell and Miller would form the team of higher education leaders at the Department of Education with Jamie Studley, the former president of Swathmore College who is currently serving as a Deputy Under Secretary, along with Jeff Appel. Studley's position requires no confirmation. In the past, Deputy Under Secretary has been a position for a political figure that would avoid a confirmation fight.

## ED to Launch IBR Awareness Drive

The income driven repayment plans in the federal student loan program have been plagued by low take-up rates. In response, President Obama has called on the Department to provide more extensive outreach on these plans and ED announced it is launching an awareness campaign.

Below is an excerpt from the announcement from Brenda Wensil, Chief Customer Experience Officer at the Office Federal Student Aid:

*Earlier this year, President Obama called for the Department to do more to ensure that all federal student loan borrowers are aware of affordable repayment options so that student loan debt does not stand in the way of life's opportunities.*

*Beginning in November, the Department of Education will contact borrowers to ensure they have the information they need to choose the right repayment option for them.*

*The campaign will target borrowers whose grace periods will end soon, borrowers who have fallen behind on their student loan payments, borrowers with higher-than-average debts, and borrowers in deferment or forbearance because of financial hardship or unemployment. The e-mails, which will be distributed through mid-December, will reach approximately 3.5 million federal student loan borrowers.*

*Borrowers will be prompted to access resources designed to educate them on repayment options, apply for an income-driven repayment plan, or contact their federal student loan servicer for additional information.*

In addition to the awareness campaign with borrowers, the Department also announced it will plan to share repayment plan preferences with Direct Loan servicers and FFEL participants at the beginning of 2014. The repayment plan preferences are shared via the www.studentloans.gov exit counseling portal.

The sample email attached with Wensil's message is available online:
http://www.ifap.ed.gov/eannouncements/110113DeptLaunchesIncomeDrivenFedStudentLoanRepaymentCampaign.html

### FSA Indicates Sequestration Prevents Onboarding of More NFP Servicers

The Department of Education issued the following amendment to the Not-for-Profit student loan servicing contract:

*The sequester provisions of the Budget Control Act of 2011 reduced the spending levels in the account for not-for-profit (NFP) loan servicing operations. To stay within these reduced spending levels during FY 2014, the Department will be unable to bring any additional NFP servicers on board and will not enter into contracts with any additional NFP servicers, including servicers who currently have memoranda of understanding (MOUs) with the Department and new servicers wishing to enter into an MOU with the intent of ultimately obtaining a contract. The effect of the sequester also precludes the Department from allowing any servicers that are not already party to an agreement with the Department to join existing servicing teams. (Existing NFP servicers wishing to cease independent operations still have the opportunity to join another team provided they inform the Department of their intention prior to December 1, 2013.) Accordingly, the Department will not offer contracts to any new NFP servicers before July 1, 2014. The Higher Education Act provides that an NFP that does not have a contract with the Department before July 1, 2014, is not legally eligible for a contract after that date.*

The announcement did not sit well with the potential new NFP servicers. The National Council of Higher Education Resources (NCHER) said with the announcement, the Department showed "once again its willingness to thwart the will of Congress."

For the full contract amendment, visit:
https://www.fbo.gov/utils/view?id=a4d4de7255bed30a70f2e18643c62d35

## Industry

### UIC Research: Neediest Students Most Likely to Miss Aid Deadlines

Students with the greatest need for financial aid for college are the least prepared to submit the applications early enough to receive it, according to a study by a researcher at the University of Illinois at Chicago and an Illinois financial aid official.

Mary Feeney, UIC associate professor of public administration, conducted the study, published in the Journal of Student Financial Aid, with John Heroff, outreach policy specialist at the Illinois Student

Assistance Commission. They analyzed economic, social and academic data on a random sample of 4,000 among 169,000 aspiring freshman students who qualified for the Illinois Monetary Award Program, which allocates need-based aid on a first-come, first-served basis; and who completed the Free Application for Federal Student Aid, or FAFSA, which is used not only for federal aid but also by states and colleges in making grants.

The researchers cite barriers that face low-income students and their parents in applying for aid:

- Confusing forms that ask too many questions, much like a tax return. More than 90 percent of low-income students who are allowed to skip most questions complete them anyway, suggesting that they are confused.
- Questions about family financial status that students may be unable to answer if their parents are absent or do not assist them.
- The assumption that parents will help cover college costs. Students whose parents will not contribute must prove their financial independence to each college, limiting their ability to apply to multiple colleges.
- Students' and parents' general lack of knowledge about available support. Low-income and minority parents are the most likely to overestimate college costs, and to consider a lack of financial aid information "part of a plan to keep their children from attending college," the researchers write.
- Deceptive and proliferating deadlines. Many states and colleges impose deadlines months before that imposed by the U.S. Department of Education. Some states make grants until funds are depleted, so the deadline may change from year to year.

"Completing the application requires a considerable amount of effort and social capital — personal networks that students can draw on to gain information," Feeney said. "Students who have access to an adult who understands the process — a relative, guidance counselor, clergy member, or someone at a neighborhood association — are significantly more likely to complete the form and attend college."

The full study is available online: http://publications.nasfaa.org/jsfa/vol43/iss2/2/

## In New White Paper, College Summit Seeks "End of College for All" Debate

College Summit released a white paper this week, "Smart Shoppers: The End of the College for All" debate. The paper's central thesis, which was expanded upon at a briefing at the National Press Club this week, is that all students need some form of postsecondary education, so there should no longer be a "is college right for everyone" debate.

David Turner, a graduate of California State University—Dominguez Hills and a graduate student at the University of Pennsylvania, served as a case study in the paper and was also a speaker at the briefing. Turner has a remarkable, heartbreaking and heartwarming story of family illness which shows the power of perseverance and untapped potential. The paper uses it effectively as a spring board for advocating for policies that encourage more individualized college counseling.

College Summit also puts forth several recommendations, both for schools and for policymakers. They are listed below (and offered in much greater detail at the conclusion of the paper):

*For Policymakers:*

- *Information sharing can influence action*

- *Tracking college outcomes at the state level*
- *Enact high standards for college readiness.*
- *Require higher education institutions to be more transparent*
- *Use federal funding strategically.*
- *Partner with businesses to engage and support students.*

*For Schools*

- *Build a college-going culture*
- *Schools should offer logistical support*
- *Colleges should proactively recruit and support low-income students.*

In addition to a panel discussion on the ideas put forth in the paper and how the tie to higher education and financial literacy practices and policies, the briefing featured remarks from Bill Eggers, an author responsible for research and thought leadership at Deloitte, and Deputy Under Secretary Jamie Studley.

Eggers discussed his forthcoming book, *Solution Revolution*, and how college access and success are much like other large problems confronted by US policymakers—they all require a joint solution from the federal, state, and private sectors.

Studley gave brief remarks on the Administration's plans to create a higher education ratings system. At the event, she reiterated a timeline which calls for a draft proposal by next year, ratings in place by 2015, and performance funding tied to these metrics by 2018.

Studley also emphasized the Administration was not attempting to create a rankings system, but a ratings system which will allow for comparisons across common metrics. Though Studley wanted to emphasize the difference between ratings and rankings, White House Director of Public Policy Cecilia Munoz compared the plan to the best known rankings system, *US News and World Report*

"We are developing a rating system which is, frankly, intended to compete with U.S. News and World Report, which is the wrong measure," Munoz said at National Journal's Next America Pathways to Success program.

Additional information is available online: www.collegesummit.org/smartshoppers

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Coalition of Higher Education Assistance Organizations
Request for Nominations

## COHEAO Board of Directors Nomination Form-Due by 11/20/2013

***I nominate the following primary member(s) for the COHEAO Board of Directors as noted:***

Treasurer: Their Organization:

Secretary: Their Organization:

***Member-At-Large nominations (3 positions open) - You may nominate as many primary member(s) as you wish.***

Nominee's Name: Organization:

Nominee's Name: Organization:

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## Please return form via email to:

COHEAOelections@wpllc.net
cc jeane.olson@nau.edu
or send it by mail to: COHEAO, 1101 Vermont Ave. N.W., Suite 400, Washington, DC 20005-3521 or by fax to: 1-202-371-0197.

# COHEAO Sparks

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

*November 6, 2013*

## CFPB Releases FDCPA Advanced Notice of Proposed Rulemaking

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

Today, the Consumer Financial Protection Bureau released an Advance Notice of Proposed Rulemaking (ANPR) on regulations pertaining to the Fair Debt Collection Practices Act (FDCPA). The ANPR is 114 pages long and includes some 160 questions.

"Updating the legal framework to protect today's consumers and to allow fair and appropriate use of modern technology is a high priority for the Consumer Bureau, which motivates this Advance Notice of Proposed Rulemaking," said CFPB Director Richard Cordray. "We are seeking to hear from the public – consumers, consumer advocates, creditors, debt buyers, and debt collectors – about what works and what does not in the current debt collection market."

The ANPR does not include a date for proposed regulations. Aside from some basic requirements (i.e. comments must be reviewed after the comment period closes and the impact to small business must be assessed), the CFPB has relatively broad authority to decide when and how it proposes regulations pertaining to debt collection.

CFPB officials have hinted that first-party collection activities may be the first area for regulation. Although FDCPA exempts credit grantors, guidance issued this summer by the CFPB highlighted its capabilities to bring enforcement actions for "unfair, deceptive or abusive practices" in the collection of debts, regardless of whether it was a first or third-party collector.

Although the prospect of new regulations always brings concerns, there are some bright spots in the document. For instance, the ANPR references the need for regulations to accommodate evolving consumer technologies and specifically cites cell phones as an example.

Comments are due 90 days after the ANPR has been formally published in the *Federal Register*, which is expected imminently. COHEAO is currently reviewing the document and our CFPB Task Force will work on an appropriate response.

Below is an outline of the contents of the ANPR, provided within the document by the CFPB:

*Part I provides a general overview of debt collection, consumer protection problems in debt collection, and government authority and activities to address these problems.*

*Parts II and III of the ANPR principally focus on the quantity and quality of information in the debt collection system. Part II solicits information on the transfer of information and access to information upon sale or placement of debts. Part III seeks information regarding validation notices, disputes, investigations, and verification of disputes.*

*Parts IV, V, and VI primarily concern the conduct of collectors in interacting with consumers in trying to recover on debts through the collection process. Part IV requests information about collector communications seeking location information about consumers, interacting with consumers themselves, disclosing debts to third parties, and newer technologies. This part includes issues concerning sections 804 and 805 of the FDCPA. Part V asks for information about unfair, deceptive, and abusive acts and practices, including issues concerning sections 806, 807, and 808 of the FDCPA. Part VI addresses issues relating to the collection of debts that are beyond the statute of limitations.*

*Parts VII and VIII predominantly address debt collection activities that implicate issues relating to State law. Part VII requests information about debt collection litigation, most of which occurs in State courts. Part VIII raises questions about exemptions under Federal law for State debt collection systems under section 817 of the FDCPA, as well as for private entities that operate bad check diversion programs under contracts with State and local district attorneys under section 818 of the FDCPA.*

*Finally, Part IX solicits information concerning recordkeeping, monitoring, and compliance.*

The CFPB also published a blog post encouraging consumers to respond to the ANPR. The Bureau is working with *RegulationRoom.org*, a project of Cornell University, to encourage a more consumers to comment in a user friendly manner.

## Additional Information

- The ANPR is available online: http://files.consumerfinance.gov/f/201311_cfpb_anpr_debtcollection.pdf
- A blog post on the ANPR and the CFPB's work with RegulationRoom.org is available online: http://www.consumerfinance.gov/blog/your-chance-to-weigh-in-on-debt-collection-practices/
- The July 10 guidance from the CFPB on UDAP and Debt Collection is available online: http://files.consumerfinance.gov/f/201307_cfpb_bulletin_unfair-deceptive-abusive-practices.pdf