

The



Torch

November 22, 2013

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

COHEAO News

- [Registration & Full \(Draft\) Program Now Available for COHEAO Annual Conference: January 26-29, 2014, Washington](#)
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- [An Update from the COHEAO CFPB Task Force](#)
David Stocker, Chair of the COHEAO CFPB Task Force, provides an update on the activities of his group and the CFPB.

Congress

- [“Deal or No Deal”—Congressional Budget Talks Continue](#)
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- [House Democrats Introduce “Know Before You Owe” Legislation](#)
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White House & Administration

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- [**In the \(Campus\) News: Winston-Salem State Student Files BBB Complain over Financial Aid**](#)

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Attachments

- [**COHEAO Commercial Members**](#)
- [**Board of Directors**](#)
- [**Special Attachment: COHEAO Annual Conference Draft Agenda**](#)
- [**Special Attachment: Summary of Recent Student Aid Simplification Hearings**](#)

Registration & Full (Draft) Program 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. A full agenda is attached with today’s edition.

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 HAOHAAO.

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.

An Update from the COHEAO CFPB Task Force

In two prior communications, a Spark on November 6, 2013 and in the Torch published November 8, 2013, COHEAO published background information about the ANPR, Advanced Notice of Proposed Rulemaking.

This ANPR has created wide spread reaction in the credit and collections community. In the document, the CFPB acknowledges that this is the first time that any rulemaking to interpret the 1977 FDCPA has

been empowered or initiated. This uncharted water, the recent announcements that the CFPB believes that first parties are subject to FDCPA type oversight through UDAAP and their future inclusion of individuals in enforcement actions, has generated much interest.

Industry responses are being planned by many types of industry participants. COHEAO, through the CFPB Task Force, is organizing a response on behalf of COHEAO members. The Task Force had been monitoring the CFPB activities for over a year and has coordinated COHEAO's response to prior requests for comment. In addition they have participated in meetings and conference calls with the CFPB leadership.

An organizational call to begin the process of preparing COHEAO's response will be held on Thursday November 21. You are encouraged to go to the CFPB website, "ConsumerFinance.gov" to review the ANPR. You are further encouraged to share your concerns, questions and comments with the Chair of the Task Force, at dstocker@ACSI.net. The goal of the response is to reflect the concerns and recommendations of the membership and your input is needed. We welcome your assistance if you wish to participate.

In other recent activity, Mr. Rohit Chopra, CFPB Assistant Director and Student Loan Ombudsman, spoke to the St. Louis Federal Reserve Bank meeting. In his prepared remarks, Mr. Chopra focused on the topic of student debt and issues involved in managing repayment. In a continuation of prior messages, he pointed out similar issues involved in the management of mortgage and student loan debt.

Specific examples cited were the origination of private student loan and mortgage debt during the recent period when the origination standards for each were less restrictive. He expressed the view that this lead to borrowers in the student loan and mortgage spaces over borrowing. This lending pattern was followed by situations where reductions in employment and new graduate job market, failed to provide adequate income to service individual debt.

Servicing of mortgage and student loan debt was another area where he pointed out parallels which have negative impact upon each debt type. A common thread presented was the inability of some mortgage or private loan lenders to utilize flexibility in reforming the debt or presenting revised repayment options. When discussing each debt type, he stressed the value to the consumer of the ability to revise the payment terms in efforts to prevent default. Once in default, the ability to refinance to take advantage of lower interest rates is lost.

He discussed the problem of limited programs for refinancing private student loans even for those who are eligible. Other servicing issues discussed involved the more traditional problems of quality control, incorrect information, missed military benefits, "robo signing" of mortgage documents and validation of student debt.

Mr. Chopra outlined several areas for improvement. These include; more flexible payment options, reformation of the debt and/or refinancing to lower rates of interest, better error resolution processes and interventions for troubled borrowers.

His closing comments listed several actions already taken to improve the decision process of consumers to incur and manage repayment of debt. He referred to the CFPB "as the primary financial regulator of the student loan industry, and the Department of Education, as the administrator of federal aid programs..." working together to provide consumers with better decision tools.

In final thoughts, Mr. Chopra expressed concern over the negative impact of large student loan debt loads on the general economic health of the individual and the country. He expressed hope that the upcoming reauthorization of the Higher Education Act would be the vehicle for solutions to the problems of student aid indebtedness.

Editor's note: This article was written by COHEAO CFPB Task Force Chair David Stocker of ACSI, Inc. We greatly appreciate this contribution as well as his diligence in leading this important COHEAO Task Force.

Congress

“Deal or No Deal”—Congressional Budget Talks Continue

Though many informed observers pegged the current Congressional budget negotiations as mission impossible, the prospects of a deal increased as Sen. Patty Murray (D-WA) and Rep. Paul Ryan (R-WI) both expressed optimism at various points throughout the week. However, both Budget Chairs were quick to caution there are still many areas of disagreement and no deal is on the imminent horizon.

The compromise the Conference Committee is considering would replace roughly \$65 billion in sequester cuts over the next two years, but leaves much of the \$91 billion per year cuts in place. Ultimately, it could produce somewhere in the neighborhood of \$85 billion in savings over the next two years while replacing the sequester cuts despised by many lawmakers in both parties.

However, there is a long way to go, and there are many moving parts. Wrapping the Farm Bill into the budget negotiations has even been discussed. Speaker of the House John Boehner (R-OH) maintains he is optimistic on the budget negotiations, but reports indicate House Republicans are actively considering a fallback plan of a three-month CR.

The funding bill, which keep the government operating through April, would remove the deadline pressure facing the Budget Conference and allow appropriators time to allocate funds under an eventual two-year framework. On the other hand, automatic sequestration cuts take effect in January, much to the dismay of defense hawks and supporters of domestic programs alike.

House Democrats Introduce “Know Before You Owe” Legislation

Reps. Allyson Y. Schwartz (D-PA), Jared Polis (D-CO) and Tim Bishop (D-NY) today reintroduced the *Know Before You Owe Act* this week. The legislation requires schools to counsel students on the financial aid options available to them from both the federal government and the private market. Sens. Richard Durbin (D-IL), Tom Harkin (D-IA), and Al Franken (D-MN) re-introduced companion legislation (S. 113) in the Senate on Jan. 23, 2013.

The *Know Before You Owe Act* requires private lenders to:

- Certify with the borrower’s school that the student is enrolled and the amount the student is eligible to borrow before issuing a private loan.
- Provide the borrower with quarterly updates on their loans, including accrued but unpaid interest and capitalized interest.
- Report information to the Consumer Financial Protection Bureau about their student loans.

The bill requires institutions of higher education to:

- Inform students about their federal financial aid availability and eligibility; their ability to select a private lender of their choice; the impact of a private loan on their eligibility for other forms of financial aid; and their right to accept, reject or cancel a private loan as allowed under current law; and
- Notify students about the terms and conditions of federal and private student loans.

The press release announcing the legislation noted the support of the following organizations:

Pennsylvania Association of Student Financial Aid Administrators (PASFAA), National Association of Student Financial Aid Administrators, National Association for College Admission Counseling, National Council of La Raza, Generation Progress, Council for Opportunity in Education, Young Invincibles, National Consumer Law Center, The Institute for College Access and Success, National Consumers League, American Federation of Teachers, The Education Trust, U.S. Public Interest Research Group, Consumer Action, Democrats for Education Reform, American Podiatric Medical Students' Association, American Podiatric Medical Association, Association of American Medical Colleges, Demos, and Student Administrator Affairs in Higher Education.

Additional information is available online: http://schwartz.house.gov/press-release/schwartz-bill-seeks-stronger-disclosure-student-loan-options#.Uo_vZdLktJg

Special Attachment: House and Senate Examine Financial Aid Simplification

Last week, the Senate HELP Committee and House Education and the Workforce Committee each held hearings on financial aid simplification. A summary is included with today's edition as a special attachment.

White House and Administration

ED Seeking Nominees for Next Round of Title IV Negotiated Rulemaking

This week, the Department of Education [published a notice in the *Federal Register*](#) seeking nominees to serve on an upcoming negotiated rulemaking panel on "program integrity and improvement" in the Title IV programs. Nominations are due by December 20. The negotiations are scheduled to take place from February-April of 2014.

In announcing the call for nominations, the Department published a list of topics for negotiation. The notice indicates the list is subject to change throughout the process. The list is below:

- Cash management of funds provided under the title IV Federal Student Aid programs, including the use of debit cards and the handling of title IV credit balances.
- State authorization for programs offered through distance education or correspondence education.
- State authorization for foreign locations of institutions located in a State.
- Clock to credit hour conversion.
- The definition of "adverse credit" for borrowers in the Federal Direct PLUS Loan Program.
- The application of the repeat coursework provisions to graduate and undergraduate programs.

In its initial announcement of plans for negotiations over a year ago, the Department indicated it intended to streamline regulations in the campus-based programs. However, some streamlining was arguably achieved in a previous round of negotiated rulemaking which aligned Perkins and Direct Loan regulations and the topics above do not make a direct reference to the campus-based programs.

When the Department issues these calls for nominations, they publish a list of constituencies which they expect may be materially impacted by the negotiations. A list of the potentially impacted constituencies is included below:

- Students.
- Legal assistance organizations that represent students.
- Consumer advocacy organizations.
- State higher education executive officers.
- State attorneys general and other appropriate State officials.
- Business and industry.
- Institutions of higher education eligible to receive Federal assistance under title III, Parts A, B, and F, and title V of the HEA, which include Historically Black Colleges and Universities, Hispanic-Serving Institutions, American Indian Tribally Controlled Colleges and Universities, Alaska Native and Native Hawaiian-Serving Institutions, Predominantly Black Institutions, and other institutions with a substantial enrollment of needy students as defined in title III of the HEA.
- Two-year public institutions of higher education.
- Four-year public institutions of higher education.
- Private, non-profit institutions of higher education.
- Private, for-profit institutions of higher education.
- Regional accrediting agencies.
- National accrediting agencies.
- Specialized accrediting agencies.
- Financial aid administrators at postsecondary institutions.
- Business officers and bursars at postsecondary institutions.
- Admissions officers at postsecondary institutions.
- Institutional third-party servicers who perform functions related to the title IV Federal Student Aid programs (including collection agencies).
- State approval agencies.
- Lenders, community banks, and credit unions.

The Department has been quite active with negotiated rulemaking in recent months. In addition to this call for nominations, negotiations over the definition of “gainful employment” in the Title IV programs are currently ongoing and negotiations over provisions of the Clery Act and the Violence Against Women Act (VAWA) are in the early stages.

Gainful Employment Negotiations Extended

Unable to review data on the impact of various proposed regulations, the gainful employment negotiated rulemaking panel agreed to convene for an additional one-day session in January. Thus far, some of the Department’s proposed regulations have frustrated school representatives as well as the consumer and student advocates.

This session of negotiations featured the proposals of non-federal negotiators. Generally, the Department was disinclined to accept these proposed changes. The *Chronicle of Higher Education* offers an outlook for the forthcoming session:

But the department will have to make broader changes in its rule if it hopes to win consensus by the end of December's negotiating session. For-profit colleges remain unhappy that the rule would calculate debt-to-income ratios based on a 10-year standard repayment plan; they want the department to revert to a 2011 version of the rule that assumed longer repayment periods for some students.

And community colleges are unsatisfied with the department's offer to exempt programs with 10 or fewer students from the loan-repayment and debt-to-income metrics. They want the threshold for all the measurements to be set at 30 students, and they want the department also to exclude from consideration programs with a borrowing rate below 50 percent or tuition and fees below the maximum Pell Grant.

At the end of Wednesday's session, Mr. Jensen, of the College of Western Idaho, warned that the rule could compel low-cost programs to shut down or leave the federal student-loan program, creating "political problems" for the department.

"We don't want the rug to be pulled out from under these rules because of the political viability of what we're doing," he said.

If the department agrees to some of the changes sought by community colleges and for-profit institutions, it just might get agreement on a final rule next month. Student and consumer groups will be disappointed that the department didn't provide broader debt relief to students who attend failing programs, but they may accept the package out of concern that the department could water down the rule if it isn't held to the negotiated version.

If the department doesn't offer such concessions, and the panelists can't reach consensus, the department will be free to propose whatever rule it wants, without regard to compromises reached during the negotiations.

Additional coverage from the *Chronicle of Higher Education* is available online:

<http://chronicle.com/article/Gainful-Employment/143197/>

Industry

CAP Looks at Refinancing Student Loans

This week, the Center for American Progress released a paper, "Resetting the Trillion-Dollar Student-Loan Debt Problem." The paper cites growing student debt burdens and warns of borrowers "trapped" with high interest rate loans, both federal and private.

For solutions, the paper looks at several of the bills put forward in this Congress:

- **The Responsible Student Loan Solutions Act, proposed by Sen. Jack Reed (D-RI), Sen. Dick Durbin (D-IL) and Rep. John Tierney (D-MA)**

Sens. Reed and Durbin and Rep. Tierney take a straightforward approach to addressing the refinancing of federally held or guaranteed student loans. The Responsible Student Loan Solutions Act was primarily designed to reset student-loan interest rates at the 91-day Treasury bill level, with an add-on percentage determined by the secretary of education to cover program administration and borrower benefits. Under the plan, interest rates for need-based, subsidized federal loans would be capped at a maximum of 6.8 percent. Rates for unsubsidized and parent loans would be capped at a maximum of 8.25 percent.

The Responsible Student Loan Solutions Act would also give the secretary of education the authority to reissue federal Stafford and PLUS loans at the same lower interest rate plus a markup for the cost of servicing. Under the bill, administrative costs can equal a maximum of 0.5 percent of the loan principal.

- **Federal Student Loan Refinancing Act, proposed by Sen. Kirsten Gillibrand (D-NY)**

In the Federal Student Loan Refinancing Act, Sen. Gillibrand proposes permitting consolidation of all federal loans—Direct Loans and Federal Family Education Loans, whether held by a bank or the federal government—into a new loan at an interest rate of 4 percent or less. The secretary of education would notify borrowers with only Direct Loans of the consolidation at the lower interest rate within 90 days of enactment. For all other borrowers, the secretary would send a completed application for a consolidation based on information in the National Student Loan Data System within 90 days. The borrower would have six months to return the application for a consolidation loan.

If a borrower is in the process of earning a benefit at the time of consolidation—including through participation in Public Service Loan Forgiveness, reduced monthly payment programs, or other repayment plans—the borrower would remain on track to receive the benefit.

- **Student-loan refinancing proposal by Rep. Mark Pocan (D-WI)**

In the House of Representatives, Rep. Pocan proposes legislation similar to that of Sen. Gillibrand. This bill, introduced in August 2013, provides refinancing options for student borrowers under the newly variable interest rate that was enacted in the Bipartisan Student Loan Certainty Act of 2013. That law reset the interest annually at the level of the 10-year Treasury note plus an add-on to offset costs associated with running the program; interest rates are capped based on loan type. Rep. Pocan's proposal states that any student with Direct Loans would be allowed to refinance his or her loans to the rate that a new borrower faces at the time of modification. This new rate would be fixed until such time that the borrower chooses to modify his or her loans again.

- **Refinancing Education Funding to Invest, or REFI, for the Future Act, proposed by Sen. Sherrod Brown (D-OH)**

Sen. Brown has proposed legislation that would address the issues specific to private student loans. Under Sen. Brown's REFI for the Future Act, the secretary of the Treasury would have the ability to purchase private loans or participation interests in private loans or provide a liquidity backstop for private student loans. Appropriately structured, these purchases are designed to

eliminate inefficiencies in the private student-loan market and accommodate reasonable refinancing opportunities for private student-loan borrowers.

Sen. Brown's bill is modeled after the authority granted in the Ensuring Continued Student Loan Access Act. Under this act, the secretary of education purchased more than \$110 billion in Federal Family Education Loans, or FFELs, over the course of three fiscal years, freeing up capital that could be used to make additional student loans.

If enacted, the REFI for the Future Act would encourage greater competition, innovation, and participation of private capital in a currently stagnant private student-loan refinancing market and create opportunities for private student-loan borrowers to take advantage of the current low interest rates, which will ensure that some borrowers pay rates that reflect their credit risk. By reducing the amount that private student-loan borrowers must pay, this plan can ensure they may pursue economically productive activities such as buying a home or starting a small business.

The paper calls for taking pieces of the above legislation to craft a refinance proposal. It also calls for streamlined payment options through the National Student Loan Data System (NSLDS). According to the paper, melding the improved financing options with a user-friendly portal via NSLDS may produce savings for borrowers and create new opportunities in the private market.

The full paper is available online: <http://www.americanprogress.org/issues/higher-education/report/2013/11/21/79821/resetting-the-trillion-dollar-student-loan-debt-problem/>

In the (Campus) News: Winston-Salem State Student Files BBB Complain over Financial Aid

A student at Winston-Salem State University filed a complaint against the school's financial aid office with the local Better Business Bureau. Angelik Edmonds, a senior mass communications major, told the *Argus News*, the campus paper, she investigated who regulated the aid office and then filed a complaint with the local BBB over the timing of the disbursement of her loans.

The article details Edmonds' efforts to resolve her situation before turning to the BBB. She proudly states her emails began receiving attention when she started copying the president and chancellor. An excerpt from the story is included below:

"I am a Chancellor's Scholar; as part of my contract, all loan monies are to be distributed to me. I took out a loan and they did not give me my monies in an appropriate time frame," she said.

According to Financial Aid, typically Stafford Loans disburse at the beginning of each semester and are applied to WSSU student accounts.

Exceptions to this rule include first-time undergraduate borrowers, who must wait 30 days after the first day of classes for their loans to disburse; students who are enrolled for one semester, who receive half of their disbursement at the beginning of the semester and the rest midway through the semester and students enrolled in block classes, whose loans disburse at the beginning of each eight-week block.

A representative of the financial aid office said all requests should be addressed within 48 hours, but also urged students who have complaints to voice them to the appropriate personnel within the financial aid office.

The full story is available online: <http://goo.gl/6sXB0U>

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



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These Committed Organizations Priority Consideration***

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DRAFT Agenda—As of November, 2013. Subject to Updates & Modification



COHEAO Annual Conference Agenda 2014
*All Meetings and Sessions Are Located at the
Ritz Carlton Pentagon City Hotel in Arlington, Virginia*

Sunday, January 26th, 2014

- 8:30am – 3:00pm **Board of Directors Meeting**
- 4:00pm – 5:00pm **Commercial Members Meeting**
- 4:00pm – 7:00pm **Registration**
- 6:00pm – 7:00pm **Welcoming Reception**

Monday, January 27th, 2014

- 7:30am – 8:30am **Breakfast: Financial Literacy Task Force Meeting**

COHEAO's incredibly active Financial Literacy Task Force will meet over breakfast. The breakfast will feature roundtable discussions on a variety of topics related to providing these essential services to students. Regardless of membership with the Financial Literacy Task Force, all conference attendees are encouraged to attend this meeting.

- 8:30am – 8:45am **The President's Welcome**

Speaker: Maria Livolsi, COHEAO President

- 8:45am – 9:45am **Session: Legislative Update and COHEAO's Perspectives**

With a new Congress and, at minimum, new players in the Executive Branch, COHEAO's Executive Director will provide an outlook on what to look for from Washington in terms of higher education, student lending, and student financial services issues.

Speaker: Harrison Wadsworth, COHEAO Executive Director

- 9:45am – 10:00am **Break**

- 10:00am – 11:00am **Session: Consumer Financial Protection Bureau**

An update on activities within the CFPB and how it will impact higher education financing.

DRAFT Agenda—As of November, 2013. Subject to Updates & Modification

- 11:00pm – 12:15am **Session: Department of Education Update: Regulations Old and New**
The Department of Education has been quite busy in the latter part of this year and 2014 will continue at the same frenetic pace. Officials from the Department will provide an update on regulations affecting Perkins Loans and other pertinent issues in the Federal Student Aid programs. This session will feature updates on negotiated rulemaking and the Administration’s efforts on ratings plan to eventually serve as the basis for performance basis funding.
- 12:15pm – 1:45pm **Luncheon Address**
- 1:45am – 2:30pm **Session: Cohort Default & Financial Literacy**
Cohort default rates are a significant metric at both the institutional and programmatic levels. This session will explore how institutions are using financial literacy programs covering much more than student loans to support their students and decrease their CDRs.
- 2:30pm –3:00pm **Dessert Break**
- 3:00pm – 4:00pm **Session: The Cashless Campus**
The concept of the “cashless campus” has been a concept for some time, but improved technologies and connectivity have added new features and improved administration as more and more colleges make use of these platforms for their students, faculty and employees. This session will review the latest trends, hot topics, and best practices for the cashless campus.
- 4:00pm – 5:00pm **Session: Improving Office Efficiency by Providing Students with a Meaningful Employment Experience**
Student employees can be a tremendous asset to your office in many capacities. This session will review the on campus peer mentor programs at Concordia University and Weber State University for students in the campus student loan office.
- Speakers: Claude Payne, Weber State University
 Larry Rock, Concordia University
- 6:00pm – 7:30pm **Silent Auction and Reception to Benefit the COHEAO Scholarship Fund**

DRAFT Agenda—As of November, 2013. Subject to Updates & Modification

Tuesday, January 28th, 2014

- 8:00am– 9:00am **Perkins Task Force Meeting**
COHEAO’s Perkins Task Force will again meet over breakfast. This breakfast meeting will feature discussions on topics ranging from legislative strategies for improving Perkins to the day-to-day operations of the Program.
- 9:15 am – 9:30am **Annual Business Meeting**
- 9:30am – 10:45am **Session: Congressional Staff Panel: What to Expect in the upcoming HEA Reauthorization**
Congressional staffers currently working on the reauthorization of the Higher Education Act will discuss the progress of that legislation as well as other issues in higher education. After a wide ranging discussion of many issues in higher education, including the future of the Perkins Loan program, these Capitol Hill insiders will take your questions.
- 10:45am – 11:00am **Break**
- 11:00am – 11:30am **Session: Grassroots Tips and an Overview of the COHEAO Message**
In this session, a longtime Perkins Loan advocate, will provide you with critical tips for making your visits on Capitol Hill a success. The presentation will also outline COHEAO’s message to legislators on preserving and improving the Perkins Loan Program and other issues affecting campus offices.

Speaker: Carl Perry, Progressive Financial Services, Inc.
- 11:30am – 12:30pm **Networking Lunch**
- 12:30pm Gather with mentors for Congressional office visits and depart for Capitol Hill via Metro
- 1:00pm – 5:30pm **Visits to Congressional Offices**
Location: House and Senate Office Buildings, Washington, DC
*Please visit your legislators’ offices to inform them on issues affecting your campus or organization, such as the importance of the Perkins Loan Program for you and your students. **Don’t forget to make appointments in advance.***

DRAFT Agenda—As of November, 2013. Subject to Updates & Modification

Wednesday, January 29th, 2014

8:00am – 9:00am **Breakfast: S.T.A.R.S. Meeting**

Student Tuition and Accounts Receivable Sources (formerly the Accounts Receivable Task Force) will begin Wednesday with discussions on the latest in tuition account management. This meeting provides an opportunity for you to gather with your colleagues and discuss a multitude of issues, both in terms of policy and best practices. All conference attendees are encouraged to attend this meeting.

9:00am – 10:00am **Session: Backroom Outsourcing - Doing More with Less -**
Enhancing Customer Support through an Outsource Call Center Solution.

10:00am – 10:15am **Break**

10:15am – 11:00am **Session: Credit Bureau Reporting**
The session offers a comprehensive discussion about credit reporting and credit scoring. It will offer valuable insight into how the credit reporting and credit scoring process works, distinguish fact from fiction, and the opportunity to join in a discussion about how you can effectively address your students and customers' questions regarding these often misunderstood financial tools.

11:00am – Noon **Session: Clearinghouse Update**
The National Student Clearinghouse has multiple projects impacting both the business office and financial aid. This session will review the recent activities of the Clearinghouse and its ideas for the future as the transmission of student data, particularly data related to student loans and student aid, is a critical issue at the foundation of the forthcoming HEA reauthorization

Noon **Meeting Adjourns**



EVENT BRIEF

House & Senate
Examine Student Aid
Simplification

NOVEMBER 15, 2013

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

On November 13 and 14, the House Education and the Workforce Committee and Senate HELP Committees convened hearings on simplifying the financial aid system. The two hearings featured a similar message with witnesses often agreeing across the board on questions from Senators and Members of Congress.

The echo chamber among witnesses across the two hearings was not surprising, however, as at least five of the seven hearing witnesses have been working on the same project, the Bill and Melinda Gates Foundation's Reimagining Aid Delivery and Design (RADD) Project. The hearings covered a wide range of topics in aid simplification, including simplifying the tax code (with the prospect of raising revenues), simplifying the grant system (with the prospect of expanding Pell Grants), and simplifying the federal loan programs.

House Education & the Workforce “Keeping College Within Reach: Simplifying Federal Student Aid”

The House Education and the Workforce Committee held the first hearing, which included a full panel of Gates RADD recipients. Dr. Sandy Baum focused largely on the grant programs, Jason Delisle of the New America Foundation, and Jen Mishory of Young Invincibles extensively addressed student loans, and Kristin Conklin discussed her organization's plan to consolidate multiple federal loan, grant, and tax programs.

Conklin served as the chair of a “technical panel” funded by Gates to implement the ideals set forward by the American Dream 2.0 Coalition, a group of prominent politicians, business and university leaders. This group of experts has put forward a plan for a “one grant/one loan” federal program. In terms of student loans, the panel proposes to eliminate PLUS Loans but also drastically increase current federal loan limits.

The panel also calls for automated form of Income Based Repayment, or at least IBR as the default repayment option. Mishory echoed this call, stating Young Invincibles surveys show that 89 percent of borrowers prefer automated IBR. Young Invincibles works with distressed and high debt borrowers and will often cite polls of their mailing lists as surveys of borrowers.

Delisle concurred the repayment system was much too complex and signaled a preference for automated IBR, or at least default IBR, but also warned the current Pay as You Earn model was a “massive tuition assistance program for graduate students” that must be modified. Delisle also called for the elimination of PLUS loans with an expansion of existing limits (though he would increase limits less than Conklin).

In questioning the witnesses, Chairman Kline and several other Committee Members from both parties were highly supportive of simplification, but wondered about details, unintended consequences, and opposition. Chairman Kline opened the questions by wondering “who is against simplification” and then specifically asked Conklin about opposition to the one grant/one loan concept. Conklin pointed to consensus among her group and had difficulty acknowledging any opposition to the proposal. Baum followed up, stating everyone is in favor of the concepts of simplification, but once you get to the elimination of programs and reallocation of funds, it becomes difficult.

Republicans on the Committee were supportive of simplification generally and often spoke to broader issues or had questions on the role of certain aid programs, such as work study. Committee Democrats, however, raised specific concerns with the proposals put forward by the hearing witnesses.

Rep. Joe Courtney (D-CT) expressed concerns over the elimination of the Grad PLUS program and what it might mean for areas facing a doctor shortage. In a heated exchange for a Congressional hearing, Delisle noted Grad PLUS had only been in existence for several years.

Rep. Tim Bishop (D-NY) noted that he was one of the many opponents to a one grant/one loan model. Bishop pointed to the campus based programs as an extra tool for aid administrators and asked the witnesses why they proposed to eliminate these tools. The panel suggested new federally based programs would give aid administrators great flexibility, but Bishop was highly skeptical and Rep. Virginia Foxx (R-NC) followed his questions by noting her support for “keeping the campus involved” in the aid process.

Rep. Rob Andrews (D-NJ) expressed concerns over Conklin’s technical panel’s plans to incent completion and its impact on “real people,” such as a single mother trying to attend part-time. Conklin responded she would suggest this hypothetical person should attend Western Governors University, which offers online classes. This angered Andrews who suggested the proposal’s treatment of part-time students showed its detachment from the “real world.”

Senate HELP Committee, “Ensuring Access to Higher Education: Simplifying Federal Student Aid for Today’s College Student”

The next day, the Senate HELP Committee explored the same topic. The hearing was well attended by Democrats, but Ranking Member Lamar Alexander (R-TN) was the lone Republican. Conklin appeared at both hearings, this time joined by Kim Cook of the National College Access Network, Dr. Bridget Terry Long of Harvard University, and Dr. Judith Scott-Clayton of Columbia University.

Unsurprisingly, many of the similar topics appeared at this hearing, though this discussion spoke more to broader themes than specific proposals. In their testimony the witnesses spoke to the need to simplify the process for filing financial aid, the need for providing concrete information (or at minimum, reliable projections) on available aid early in the process, and the need for more interventions to let low-income students know colleges

Highlighting the similarities among the witnesses, Sen. Alexander and Chairman Tom Harkin (D-IA) built a theme of consensus. Alexander indicated he and Chairman Harkin planned to send a letter to the witnesses requesting their feedback on areas of general consensus and their opinions on matters of disagreement.

The Senators were largely in agreement on the need for simplification, but were skeptical of some of the specific plans put forward, particularly the budgetary numbers. When Conklin suggested all of the proposed reforms could be handled with existing dollars, Harkin noted CBO scoring of the year-round Pell program which has confounded policymakers and the higher education communities. Alexander pressed for further details on the budgetary savings and, ultimately, Conklin acknowledged the revenues would come largely from consolidating existing higher education tax programs. In the view of many conservatives, this is considered raising taxes.

In multiple rounds of questions, members of the HELP Committee went beyond the testimony put forward by the witnesses, with several Democratic members inquiring on the ratings system. NCAN's Cook noted her organization's support for this ratings system and Conklin said it could serve to provide more institutional accountability. The higher education researchers were less supportive. Scott-Clayton, for instance, said she did not understand the "leap in logic" from providing meaningful consumer information to students to the federal government actively rating such institutions for comparison. Many Democrats on the Committee, such as Sens. Patty Murray (D-WA) and Tammy Baldwin (D-WI), expressed concerns over the impact of the ratings system on non-traditional and at-risk students.

While there was some daylight between the witnesses on the ratings issue, all were very supportive of more individualized counseling for prospective students, a topic that caught the attention of members of both education committees from both parties. HELP and Education & the Workforce Committee Members seemed to know that high school and college preparation counselors were overwhelmed, but many seemed genuinely shocked by the extent of the problem.

On a bicameral and bipartisan basis, Senators and Representatives on both Committees expressed concern over a statistic indicating that many high schools had a guidance counselor to student ratio of 400-500 to 1. Witnesses at the hearings said individualized efforts to help students understand the financial aid process and the affordability of colleges have shown the most success, with Terry-Long pointing to a study in Ohio where individualized counseling on financial aid and college affordability has increased college attendance rates in certain high schools by as much as 30 percent. There were some differences among witnesses on the

necessity of in-person counseling, but there was general agreement individualized interventions are the most effective.

Conclusion

From this week's hearings, it is easy to see that simplification will be a goal of both the HELP and the Education and the Workforce Committee in HEA reauthorization. However, as with many aspects of HEA, the devil will be in the details.

In addressing the topic broadly, it is easy to suggest a consensus is emerging on key principles, but the Title IV programs are designed to serve a broad array of constituencies. Though proponents of simplification efforts may suggest their plans and proposals have broad support, it is only at the surface level. The task for the authorizing Committees will be to adhere to the principle of simplicity while sorting through the multiple disagreements of a deep-dive into student aid policies.

Many of the most prominent higher education reform efforts would drastically alter federal student loan repayment, perhaps eliminating traditional federal loan servicing and collections. It is difficult to envision Congress moving as drastically as automatic student loan paycheck withholding, but there will be a strong push from some reformers to move to a one grant/one loan concept.

The Congressional hearings on HEA reauthorization will continue. At the Senate HELP Committee hearing, Harkin and Alexander indicated the Committee will convene specifically to address student loans.

Additional Information

- Additional information on the November 13 House Education and the Workforce Committee hearing is available online: <http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=348909>
- Additional information on the November 14 Senate HELP Committee hearing is available online: <http://www.help.senate.gov/hearings/hearing/?id=feb2f2ee-5056-a032-5236-017dbc7192a8>