The Torch

September 13, 2013

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

COHEAO News

- **COHEAO Perkins Webinar Series Continues with "Perkins Loan Basics and Due Diligence" on Monday, September 16**
  COHEAO is pleased to announce its latest webinar, "Perkins Loan Basics and Due Diligence." Set for Monday, September 16 at 2:00 PM, this webinar will help you learn about the Perkins Loan Program from A to Z.

Congress

- **Failed CR Gives Slow Start to Pending Fiscal Negotiations**
  A week that began with tense conversations about a potential military strike against Syria ended with the House GOP in disarray over how to pass a continuing resolution (CR), which is necessary to keep the government operating beyond the end of the fiscal year on September 30th.
- **Senate to Begin HEA Hearings, House "Keeping College Within Reach" Series Continues**
  The Senate HELP Committee announced it would soon begin the process of hearings in advance of HEA reauthorization.
- **Pocan Introduces Federal Loan Re-Fi Legislation**
  Representative Mark Pocan (D-WI) introduced student loan refinancing legislation just before the August recess.
- **CBO Releases Report on Pell Grants**
  The Congressional Budget Office (CBO) released a report, "The Pell Grant Program: Recent Growth and Policy Options."
- **FLEC to Host Field Hearing on Postsecondary Financial Education**
  The Financial Literacy and Education Commission (FLEC) is hosting a field hearing on improving financial capability in young people.

White House & Administration

- **Cordray Appears Before HFSC, CFPB Planning a FDCPA Rulemaking**
  In an interview this week, CFPB Director Richard Cordray indicated he is concerned with the debt collection industry and the Bureau is making plans for rulemaking in this area.
- **Negotiators Slog Through First Round of Gainful Employment Neg Reg**
  The Department of Education convened the first session of negotiated rulemaking on the controversial topic of gainful employment this week.
- **CFPB Gearing Up for New Initiatives on Student Debit Cards?**
  The Consumer Financial Protection Bureau (CFPB) is set to host its "Banking on Campus" forum on September 30 which will focus on debit cards for students.
- **CFPB Issues Bulletin on Credit Reporting**
  The CFPB has issued a Bulletin addressing the obligation of furnishers of credit information to Credit Reporting Agencies (CRAs) to "review all relevant information" they receive in connection with disputes forwarded by CRAs.
- **Department Cancels October PCA Meeting**
  The Department of Education recently cancelled the next meeting of companies working on the Private Collection Agency (PCA) contract, which was scheduled for October.

Industry

- **Reminder: TCPA Written Consent Changes Take Effect on October 16**
  Mark Brennan, an attorney at Hogan Lovells who spoke at the COHEAO Mid-Year Conference, recently authored a blog post on pending changes to the Telephone Consumer Protection Act (TCPA) related obtaining consent for telemarketing calls.
- **Advisory Committee Elects Chair and Vice Chair**
  The members of the Advisory Committee on Student Financial Assistance unanimously elected Dr. Maria Harper-Marinick and Ms. Roberta Johnson to one-year terms as chair and vice chair, respectively.

Attachments

- **COHEAO Commercial Members**
- **Board of Directors**
- **Special Attachment: CFPB Director Richard Cordray Testifies Before HFSC—Student Loan Excerpts**

COHEAO News

COHEAO Perkins Webinar Series Continues with "Perkins Loan Basics and Due Diligence" on Monday, September 16

COHEAO is pleased to announce its latest webinar, "Perkins Loan Basics and Due Diligence." Set for Monday, September 16 at 2:00 PM, this webinar will help you learn about the Perkins Loan Program from A to Z.

Click here to register.

During the webinar, we will discuss the nuts and bolts of Perkins loans, responsibilities of the school and the student, promissory notes and disclosures, and Perkins regulations and compliance issues.

Join Keith Fitzsimmons of the University of Kansas Medical Center and Chris Stompanato of ECSI for an in-depth look at the Perkins Loan Program.

You will walk away from this event with valuable information that will make your entire team successful.
Click here to register.

Important Information:
What: COHEAO Webinar: Perkins Loan Basics and Due Diligence
When: Monday, September 16, 2:00-3:30 PM ET
Costs: $49 for COHEAO members/$99 for non-members
Registration: COHEAO Events and Member Area
If you have any questions, please contact Wes Huffman at, whuffman@wpllc.net or call 202.289.3910

Future Webinars:
Perkins Cohort Default Management, October 17, 2013 2:00 EST

Perkins Deferments & Deferment Processing, November 12, 2013 2:00 EST

Congress

Failed CR Gives Slow Start to Pending Fiscal Negotiations

After a six-week vacation, you would think most folks would return to work rested and ready to tackle their urgent assignments. That was not the case this week on Capitol Hill. A week that began with tense conversations about a potential military strike against Syria ended with the House GOP in disarray over how to pass a continuing resolution (CR), which is necessary to keep the government operating beyond the end of the fiscal year on September 30th.

Speaker John Boehner (R-OH) and Majority Leader Eric Cantor (R-VA) thought they had a clever enough CR strategy to garner the necessary 218 Republicans needed to pass the bill, sine all the Democrats have said they will vote against it. But many House Republicans refused to go along with the plan, so action was postponed. The proposal put forth by House Appropriations Chair Hal Rogers (R-KY) came in two parts: 1) a vote to defund the Affordable Care Act (ACA, or "Obamacare") that the Senate would be forced to consider but would most certainly reject; and 2) a vote to fund the government at a level that kept in place the sequester, around $988 billion annualized for FY2014, with an expiration date of December 15.

House Leadership knew that Democrats would balk at extending the sequester, but they didn't anticipate a revolt from their own team, where conservatives' top priority is defunding the ACA. Though proposals killing ACA have passed in the House 41 times, the Senate has never been forced to vote on the issue. The CR is considered the best opportunity to force the Senate's hand, regardless of the fact that there is no chance the bill would be adopted.

House Republican Leaders hoped their plan to offer conservatives a chance to force the Senate to vote to save "Obamacare" would be work, but with its rejection, a vote may take place next week, although House Majority Leader Canter (R-VA) said the House recess scheduled for the week of Sept. 23rd may be cancelled if a CR hasn't passed.

This battle is the first of three fiscal crises that the Congress will face this fall. In mid-October, there needs to be a vote to raise the debt ceiling. Obama Administration officials are demanding an unconditional increase in borrowing authority, while Republicans say they won't raise the borrowing limits without at least equal cuts in spending. Lastly, if a CR is agreed to with a December 15 expiration date, final FY2014 spending levels for the year would have to be negotiated before that date. The gulf between the Senate and House FY2014 budget plans is $90 billion.

"In my view, these next six weeks are going to in some ways be a litmus test as to whether America continues to be a great nation that can manage itself rationally and through a democratic process of compromise and agreement," said House Minority Whip Steny Hoyer (D-MD).

Senate to Begin HEA Hearings, House "Keeping College Within Reach" Series Continues

The Senate HELP Committee announced it would soon begin the process of hearings in advance of HEA reauthorization. The first such hearing, "The Triad: Promoting a System of Shared Responsibility. Issues for Reauthorization of the Higher Education Act," is scheduled for Thursday, September 19 at 10 am. Witnesses have yet to be announced.

The House continued its efforts this week with another "Keeping College Within Reach" hearing in the Subcommittee for Higher Education and Lifelong Learning, "Supporting Higher Education Opportunities for America's Servicemembers and Veterans." There were very few groundbreaking developments at this hearing, but it did show one area where lawmakers may be able to work in a bipartisan fashion. At the hearing, Members repeatedly emphasized that both parties shared the same goal and all were sympathetic to the regulatory burdens faced by colleges and universities. Of course, when it comes to details, there are likely to be significant differences, but the shared goals of Republicans, Democrats, and the community does lay the groundwork for collaboration.

The House hearings will continue next week. On Wednesday, September 18, the Subcommittee will examine, "Improving Access and Affordability through Innovative Partnerships." Witnesses have yet to be announced.

Additional information on this week's House hearing is available online: http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=348071. If you are interested in a full summary of this hearing courtesy of Washington Partners, please email Wes Huffman (whuffman@wpllc.net).

Pocan Introduces Federal Loan Re-Fi Legislation

Representative Mark Pocan (D-WI) introduced student loan refinancing legislation just before the August recess. He announced the introduction of his bill at an event at the University of Wisconsin-Madison, which is located in his district.

Pocan's bill, H.R. 3047, would allow anyone with a federal student loan to refinance so they are paying the lowest interest rate available for their respective loans. The interest rate would be fixed over the life of the loan, but students could refinance at any time if a lower rate becomes available on their particular type of loan—Stafford, PLUS, Consolidation, etc.

One Wisconsin Now, a progressive organization, has endorsed the legislation and was quoted in Pocan's press release on it.

"Congressman Pocan's plans to help hardworking borrowers get a fair shot at the middle class instead of a multi-decade student loan debt sentence are the kind of common sense solutions we need to fix the trillion dollar student loan debt crisis," said One Wisconsin Now Executive Director Scot Ross.

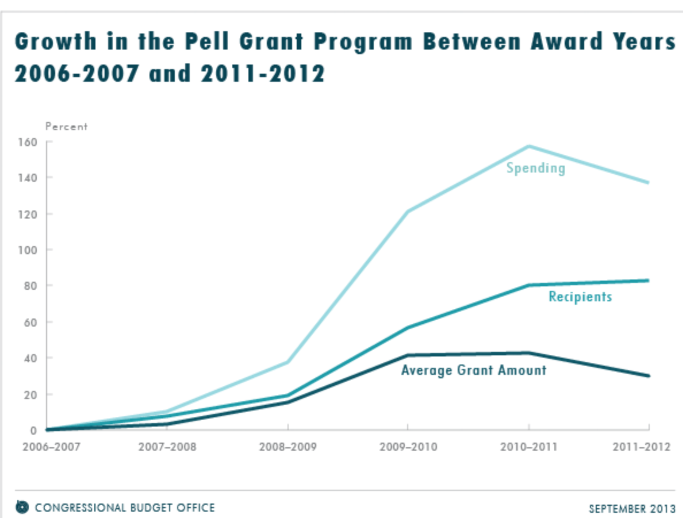
Pocan serves on the Budget Committee. There has yet to be a CBO score published for this legislation, but given the price tag of reducing federal loan interest rates, it is safe to assume it is rather significant.

The text of the H.R. 3047 is available online: **http://www.gpo.gov/fdsys/pkg/BILLS-113hr3047ih/pdf/BILLS-113hr3047ih.pdf**

CBO Releases Report on Pell Grants

The Congressional Budget Office (CBO) released a report, "The Pell Grant Program: Recent Growth and Policy Options."

As its title would indicate, this CBO report explored the growth of Pell from 2006-2012. Below is a chart on annual spending, recipients, and average awards from academic year 2006-2007 through 2011-2012



CBO found Pell spending grow by 168 percent between 2006 and 2011, before dropping a bit in 2012. The report explains the growth in the program in recent years is due to two main reasons, both largely due to the recession—An increase in the number of student enrolling in postsecondary education and an increase in the proportion of Pell eligible students. Beyond these two central drivers, the report also identifies legislative changes which loosened up eligibility requirements as a third factor for increasing federal costs.

As it has done in the past with student loans, CBO also offered a variety of options with policymakers and largely stays away from any sort of opinion or comment.

However, in this report, "CBO at least subtly takes sides in some of the more-contentious debates around federal aid policy," reported Doug Lederman of *Inside Higher Ed.*

Lederman's article continues: "For instance, the agency notes that the impact of various changes might depend on how colleges react to the new policies; if grant size increases, CBO states, 'some institutions -- particularly those with high percentages of Pell grant recipients -- might raise tuition or shift more of their institutional resources to give aid to students who do not qualify for Pell grants.'"

CBO adds: "There is some evidence that larger grants can prompt public colleges to raise out-of-state tuition and nonprofit private colleges both to raise tuition and to shift institutional financial aid away from Pell grant recipients."

Additional information on the report is available online: **http://www.cbo.gov/publication/44448**
The article from *Inside Higher Ed*, which includes a table of the CBO's policy options, is available online: **http://www.insidehighered.com/news/2013/09/06/congressional-study-explores-costs-and-possible-changes-pell-program#ixzz2e8ghnJnd**

FLEC to Host Field Hearing on Postsecondary Financial Education

The Financial Literacy and Education Commission (FLEC) is hosting a field hearing on improving financial capability in young people. The event's title specifically refers to postsecondary education will take place on September 25, 2013 from 8:30am-11:00am at the University of Wisconsin-Madison.

The hearing will share the Commission's work with the public and allow us to learn about promising practices, critical challenges, and opportunities in promoting the financial capability of children, youth and student populations.

For those unable to make it to Madison, the event will be webcast. Additional information is available online: http://www.cvent.com/events/field-hearing-on-youth-and-post-secondary-financial-education/event-summary-96d3152d92af41248876f9dd49d066db.aspx

White House and Administration

Cordray Appears Before HFSC, CFPB Planning a FDCPA Rulemaking

In an interview this week, CFPB Director Richard Cordray indicated he is concerned with the debt collection industry and the Bureau is making plans for rulemaking in this area. An excerpt from the interview is included below.

What are the next steps for payday-lending and debt-collection supervision?
We will be undertaking rulemaking in the debt-collection area. The work on that will get started later this fall. Debt collection is an area that is in need of revision and updating. It's a very problematic area, one of the most complained-about areas by the public. It's only gotten worse in the wake of the financial meltdown because so many people owe debt. An estimated 30 million Americans have a debt collector chasing after them now, so it's a very salient issue now for the public.

The Fair Debt Collection Act was passed in 1977, and there were never any provisions for rules to be written under it, so it hasn't kept pace with the times. It's now 35 years old, and there is room for us to update the act to take account of various court decisions, changes in the industry, changes among the consumer public to improve coverage so people are protected and treated fairly. That's an important area for us and an area where we've already had some activity moving toward rulemaking.

We're also examining debt collectors. We've done some enforcement actions involving debt collection, and there will be more. We've put out a bulletin on first-party debt collectors, making clear that they're also covered under existing law. And we're starting to provide some tools for consumers to use, such as the template letters they can use to try and avoid undue harassment and abuse from debt collectors.

The interview came in advance of Cordray's appearance before the House Financial Services Committee (HFSC) to offer testimony on the CFPB's Semiannual Report. The report was published earlier this year, but the Committee withdrew Cordray's invitation to testify until after he was confirmed as Director by the Senate.

This week's hearing offered a glimpse of the Committee's feelings on the Bureau. In general, Democrats remain supportive while Republicans remain wary. However, on the issue of the CFPB's ability to obtain financial data and monitor accounts, there appears to be a mutual concern. Republicans are much more likely to highlight these concerns, with some going as far as to compare the Bureau to the NSA, but Democratic members of the Committee also expressed concerns with the CFPB's efforts to monitor the marketplace. The Dodd-Frank Wall Street Reform Act, which created the CFPB, also specifically prevents the Bureau from collecting personally identifiable information.

At the hearing, student loans were discussed on a few occasions, but were not the focus of many questions. Excerpts from the hearing directly related to student loans are included with today's edition as a special attachment.

Cordray's full interview with the *Washington Post* is available online:
http://www.washingtonpost.com/business/economy/qanda-richard-cordray-on-whats-next-for-the-consumer-protection-bureau/2013/09/10/e0efde82-1a42-11e3-82ef-a059e54c49d0_story.html

Negotiators Slog Through First Round of Gainful Employment Neg Reg

The Department of Education convened the first session of negotiated rulemaking on the controversial topic of gainful employment this week.

The session started with the expected disputes between supporters of for- profit schools and their detractors, with three efforts to add negotiators representing segments of the for-profit sector rejected by the negotiating committee. Unanimous consent would have been required to add a negotiator to those already appointed by the Secretary of Education to the Committee. As unanimous consent – consensus -- to the whole regulatory package will be needed to approve it at the end of the rulemaking next month, most observers think there is little chance of agreement.

However, there was some cooperation visible by the third and final day of this week's negotiating round. The negotiators formed six working groups to hash over details of the regulations, with the groups including negotiators from the various perspectives. They are to report back by Sept. 30 so that the Department can prepare revised regulatory language by the start of the second and final round of negotiations on October 21.

There are many contentious details, but one general direction being proposed by consumer-oriented negotiators is to create tougher tests before programs subject to gainful employment rules can receive their initial certification to participate in the Education Department's federal student aid programs. In other words, under various general proposals put forth, all programs being certified or re-certified at for-profit institutions and all non-degree programs at public and non-profit institutions would have to pass some sort of advance test showing that their students would have high levels of positive outcomes – jobs paying decent money.

The Department negotiator dropped another big idea – to make individual programs of study subject to the cohort default rules, not just entire institutions. That would mean a program with three-year cohort default rate of 30 percent or more for three straight years or more than 40 percent for one year would lose eligibility for federal student aid funds. Current regulations look only at entire institutions.

Another proposal put forward is to recognize exceptional performers in programs subject to the gainful employment regulations and reduce the reporting and other regulatory burdens on them. This drew interest from both for-profit school representatives and some representatives from the public sector.

The Department negotiator, who has the upper hand in deciding what moves forward, took most of the ideas under advisement. A revised set of regulations will be circulated to the negotiators before the October round of negotiations, and that will indicate more closely where the final rules are likely to wind up.

Numerous publications published articles on the negotiations.

CFPB Gearing Up for New Initiatives on Student Debit Cards?

The Consumer Financial Protection Bureau (CFPB) is set to host its "Banking on Campus" forum on September 30 which will focus on debit cards for students. It appears the CFPB (with an assist from some progressive lawmakers) is laying the groundwork for additional activity in this space.

An "investigative report" from *ABC News* focused on the relationship between the University of Minnesota and TCF Financial and quoted CFPB Student Loan Ombudsman Rohit Chopra and Rep. George Miller (D-CA) extensively. According to the story, financial institutions are "paying a bounty" to universities for access to student customers. The universities accept the payments since they are "looking to make up revenues in creative ways," according to Chopra.

In addition to the *ABC* news report, the CFPB offered the following blog post on its website:

Earlier this year, the Federal Deposit Insurance Corporation, another banking regulator we work closely with, fined one of the largest providers of campus debit cards. We issued this consumer advisory to all students expecting to receive scholarship and student loan proceeds onto – what appears to be – a school-endorsed debit card.

Many college students, especially those enrolled in community colleges or who live off-campus, receive scholarships, grants, and student loans that are for more than the cost of their tuition. These funds help them pay rent, get to and from school, and cover other costs, like textbooks. Many schools work with third-party financial companies to disburse these funds directly to students.

Consumers should remember the following:

- ***You can't be required to use a specific bank or card.*** *There may be a financial institution that operates on your campus, but you generally can't be required to use a specific account or card to access your student aid. If you have received a federal student loan, your school must provide a paper check or cash option.*
- ***Consider choosing an account before arriving at school.*** *Shop around, and don't feel limited by the banks operating ATMs on or near campus. Some financial institutions don't charge you for using any ATMs, and some will automatically reimburse you for fees charged for using an out-of-network ATM. Many institutions also provide a mobile phone app to remotely deposit paper checks.*
- ***If your school offers it, sign up for direct deposit as soon as possible.*** *If your school offers direct deposit, you may be able to provide the school with your account information in order to access your funds more quickly.*

*If you have a specific problem with your student checking account and need to resolve it, please **file a complaint**. If you want to just share your experience with student checking accounts and debit cards, **tell us your story** and use the tag "financial aid."*

A University of Minnesota spokesman told ABC News the TCF Bank account is one of the best banking options available to students but that students are welcome to look elsewhere. A university statement says: "Our current arrangement allows students to make their own choices about banking, provides students convenience and abides by state and federal laws that protect student consumers."

The CFPB blog post is available online: **http://www.consumerfinance.gov/blog/reminder-accessing-your-scholarships-and-student-loan-funds/**
An article from the *ABC News* story, including video from "Good Morning America," is available online: **http://abcnews.go.com/Blotter/bank-pays-34-bounty-college-customers/story?id=20159803&singlePage=true**

CFPB Issues Bulletin on Credit Reporting

The CFPB has issued a Bulletin addressing the obligation of furnishers of credit information to Credit Reporting Agencies (CRAs) to "review all relevant information" they receive in connection with disputes forwarded by CRAs.

The Bulletin notes, "The CFPB expects furnishers to have reasonable systems and technology in place to receive and process notices of disputes and information regarding disputes, including relevant documentation, forwarded to them by CRAs. The CFPB also expects every furnisher to review and consider "all relevant information" relating to the dispute, including documents that the CRA includes with the notice of dispute or transmits during the investigation, and the furnisher's own information with respect to the dispute. The Bulletin also says:

In general, with respect to disputes received by furnishers from CRAs, the CFPB expects each furnisher to comply with the FCRA by:

(1) Maintaining a system reasonably capable of receiving from CRAs information regarding disputes, including supporting documentation;
(2) Conducting an investigation of the disputed information including reviewing:
a. "all relevant information" forwarded by the CRA and;
b. the furnisher's own information with respect to the dispute;
(3) Reporting the results of the investigation to the CRA that sent the dispute;
(4) Providing corrected information to every nationwide CRA that received the information if the information is inaccurate or incomplete; and
(5) Modifying or deleting the disputed information, or permanently blocking the reporting of the information if the information is incomplete or inaccurate, or cannot be verified.

The Bulletin also provides: "Any furnisher not currently maintaining a process that meets these requirements should take immediate steps to comply with the requirements of the law."
The full bulleting is available online:
http://files.consumerfinance.gov/f/201309_cfpb_bulletin_furnishers.pdf

Department Cancels October PCA Meeting

The Department of Education recently cancelled the next meeting of companies working on the Private Collection Agency (PCA) contract, which was scheduled for October. The next meeting will be set for January 2014.

In an email to PCA representatives, Dwight Vigna of Federal Student Aid's (FSA) Default Division indicated the meeting was being cancelled due to his division's work with the Department of Education's Office of Postsecondary Education (OPE) on final regulations relating to the Direct Loan and FFEL programs. The new regulations, which take effect in July 2014 and have already been published in draft form in the *Federal Register*, are expected by November 1 of this year.

Industry

Reminder: TCPA Written Consent Changes Take Effect on October 16

Mark Brennan, an attorney at Hogan Lovells who spoke at the COHEAO Mid-Year Conference, recently authored a blog post on pending changes to the Telephone Consumer Protection Act (TCPA) related obtaining consent for telemarketing calls.

Importantly, these changes only relate to telemarketing calls. Though the "existing business relationship exemption" is eliminated for telemarketing calls, it currently still applies to calls related to existing accounts. However, if it is a "hybrid" call which involves the selling of some services over the phone, it will be considered a "telemarketing" call. The full post is below:

Businesses that use automated technologies to place telemarketing calls and messages have just over a month to assess and revise their current calling practices to avoid the risk of expensive, time-consuming lawsuits under new Telephone Consumer Protection Act (TCPA) rules enacted by the Federal Communications Commission (FCC).

The TCPA (47 U.S.C. § 227) and the FCC's TCPA rules (47 C.F.R. § 64.1200et seq.) require parties to obtain "prior express consent" from the called party before making non-emergency calls to wireless telephone numbers using an "automatic telephone dialing system" (or "autodialer") or an artificial or prerecorded voice. They also require parties to obtain "prior express consent" before using an artificial or prerecorded voice to call residential (landline) telephone numbers. This "prior express consent" may be obtained orally or in writing, including through electronic means, and certain exemptions apply to the residential restriction (including one for calls to individuals with whom the caller has an established business relationship).

Under the new FCC rules that become effective on October 16, 2013, parties must obtain "prior express written consent" for these calls. In addition, the established business relationship exemption will be eliminated – parties making prerecorded telemarketing calls to residential telephone numbers must now obtain prior express written consent from the called party regardless of any established business relationship.

To satisfy the new written consent standard, the caller must obtain an agreement in writing that is signed by the called party and includes a "clear and conspicuous" disclosure that the signatory agrees to receive autodialed and prerecorded telemarketing calls and messages at a specific telephone number from a particular seller. In addition, parties may not condition the purchase of any goods or services on an individual providing the written consent. (Prerecorded telemarketing calls from certain callers to residential telephone numbers are already subject to these restrictions under existing Federal Trade Commission rules.) Electronic forms of consent that comply with the E-SIGN Act are generally sufficient to establish the requisite "written" consent.

Although the new rules continue to permit callers to rely on oral "prior express consent" for automated non-telemarketing, informational calls and messages, callers are advised to proceed with caution. For example, "dual-purpose" calls and messages that include both telemarketing and non-telemarketing components could be considered "telemarketing."

With regulators, courts, and plaintiffs' class action attorneys all targeting TCPA violations, businesses should review their practices in advance of October 16, 2013, and stay apprised of the latest legal developments – especially when using text messages, prerecorded messages, and other automated dialing technologies to interact with U.S. consumers.

Additional information is available online: http://www.hlregulation.com/2013/09/03/significant-changes-in-telemarketing-rules-go-into-effect-on-october-16-2013/#more-5051

Advisory Committee Elects Chair and Vice Chair

The members of the Advisory Committee on Student Financial Assistance unanimously elected Dr. Maria Harper-Marinick and Ms. Roberta Johnson to one-year terms as chair and vice chair, respectively.

- Dr. Maria Harper-Marinick, appointed on September 13, 2012 by Secretary of Education Arne Duncan, is Executive Vice Chancellor and Provost for the Maricopa Community College District in Maricopa County, Arizona. (**Bio**)

- Ms. Roberta Johnson, appointed on March 5, 2013 by Senator Tom Harkin, is Director of Student Financial Aid at Iowa State University in Ames, Iowa. (**Bio**)

Created by Congress in 1986 to provide advice and counsel on student aid policy, the Advisory Committee makes recommendations that will result in the maintenance of access for low- and middle-income students. Members are experts in higher education and student aid policy and are appointed by Congress and the Secretary of Education.

COHEAO Would Like to Thank Our Commercial Members for Supporting
<u>More Education for More People</u>

We Encourage Those Seeking Services to Give These Committed Organizations Priority Consideration

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Credit World Services, Inc.

Delta Management Associates

Educational Computer Systems, Inc.

EOS-CCA

Education Assistance Services, Inc.

Enterprise Recovery Systems, Inc.

General Revenue Corporation

Higher One

iGrad

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CFPB Director Richard Cordray Testifies Before HFSC—Student Loan Excerpts

On Thursday, September 12, CFPB Director Richard Cordray gave testimony to the House Financial Services Committee on the Bureau's Semiannual Report. Excerpts from the transcript relating to student loans are included below.

The following exchange was with Rep. William Lacy Clay (D-MO)

REP. CLAY: Home mortgages and student loan debt are the two largest categories of outstanding consumer debt in America. We are still feeling the effects of the subprime mortgage crisis and are only beginning to understand the threat that excessive student debt possesses to the economy. What steps is the CFPB taking to promote transparency of student loans and other financial products?

MR. CORDRAY: So it's been a big issue for us. We have a great ombudsman, student ombudsman, that was created by Congress in the law. It was an excellent insight, and it's an important position for us. We've worked on a Know Before You Owe effort around student loans, because many people have just -- it's new to them. They're engaging in it for the first time as their son or daughter is thinking of going off to college or getting any kind of further education, training school or vocational school or community college. And we have developed the financial aid shopping sheet so you can actually compare and contrast institutions and creating more uniformity in the disclosures there. And all of this has been folded into a suite of tools on our website that we want people to use and we're working to get out to guidance counselors, teachers, parents, called Paying for College.

And it's an excellent, excellent -- I commend it to all the members, that you should be promoting that to your constituents who are all going to be, you know, potentially in this position of having to deal with this issue. And there's great advice there and expert information that will benefit them.

The following exchange was with Rep. John Carney (D-DE)

REP. CARNEY: So one of the issues that I've been trying to work on, particularly over the last several months, is college affordability. And I notice that you've done some reports on student loans and private lenders in that regard. Is there something there that jumps to mind? One of your reports was more generic in terms of the effect that it's having on the ability of those young adults to purchase in the economy.

What else, in terms of the structure of the loans? I've heard from a lot of students and families, frankly, that they didn't really know what they were getting into. I think part of it was maybe they weren't paying as -- attention to the fine print, or what have you. What have you found there, if anything?

MR. CORDRAY: So there are a variety of problems there. First of all, it's a more-than-1 trillion-dollar issue in this country now. It is very significant. It's something we need to --

REP. CARNEY: It's killing our young people, just --

MR. CORDRAY: And it's driven in part by losing control over tuition costs, which is an issue that goes well beyond the CFPB.

REP. CARNEY: And the bigger problem, in my view it's the bigger problem. But I just --

MR. CORDRAY: Yeah. But in terms of us, we have been noting and increasing numbers of federal policymakers are noting the domino effect of this, that the student loan albatross around young people's necks is keeping them out of the housing market. It's keeping them out of starting businesses or starting families. We've --

REP. CARNEY: My time is up, but this is something that hopefully I can follow up with you and your staff.

The following exchange was with Rep. Bill Huizenga (R-MI)

REP. HUIZENGA: OK. I look forward to that. The other element that I had, I was glad to hear you say, I think I wrote down this quote accurately, that in response to some of the discussion about student loans, losing control of tuition costs which is beyond the CFPB. So I'm glad, Mr. Chairman, we found an area that it's beyond the control of the CFPB. So I'm glad, Mr. Chairman, we found an area that is beyond the control of the CFPB.

MR. CORDRAY: We're not as powerful as people seem to think.

REP. HUIZENGA: Well, you're still pretty darn powerful. But -- because I'm concerned about that as well. I mean, we've got to have parents and students -- and as the father of a couple of high schoolers and with more following, I'm keenly aware of that. And I just want to make sure that we're not going in and shooting the messenger. As parents are making decisions and as students are making decisions, they need to be -- have their eyes wide open. There should not be anything hidden from them. But at the same time, the system shouldn't be penalized for providing opportunities for them to go after college educations that they're looking for, whether they really truly believe that they need to be going to the Ivy League versus maybe the community college. That's another thing.