# The Torch

**December 19, 2014**

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

## COHEAO

- **Early Bird Registration for the COHEAO Annual Conference Ends January 7th**
  Time is running out to register for the 2015 COHEAO Annual Conference under the special early bird prices.
- **Happy Holidays From COHEAO!**
  COHEAO would like to wish all of our members, friends, and their families a safe and happy holiday season.

## Top News

- **COHEAO's Save Perkins Petition Tops 2,500 Signatures**
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## Congress

- **Enzi Takes Budge Gavel as Senate Committee Assignments Take Shape**
  Senator Mike Enzi (R-WY) announced will become Chairman of the Senate Budget Committee late this week.
- **New Republican Members Named to House Education and the Workforce Committee**
  This week, Chairman John Kline (R-MN) named returning and new Republican Committee members for the House Education and the Workforce Committee.
- **House Passes $1.1 Trillion Spending Bill Despite Drama**
  After days of high drama, Congress passed the $1 trillion-plus *Consolidated and Further Continuing Appropriations Act of 2015 (H.R. 83)*—commonly known as the Cromnibus—and the 113th Congress came to a close shortly thereafter.
- **Senators Urge Department of Education to Forgive Corinthian College Student Loans**
  Thirteen U.S. Senate Democrats sent a letter asking Education Secretary Arne Duncan to forgive federal loans for students at schools owned by Corinthian Colleges Inc.
- **GAO Examines Declining State Support and Rising Tuition**
  At the request of Senate HELP Committee Democrats, the Government Accountability Office (GAO) examined state spending on higher education.

## White House & Administration

- **OIG Report Faults Department for Lack of Default Plan, Endorses TCPA Changes to Improve Servicing**
  An audit conducted by the Department of Education's Office of Inspector General (OIG) found that the Education Department lacks a comprehensive plan to prevent student loan defaults.
- **PIRS Framework Offers Little Detail as ED Seeks Additional Feedback**
  The Department of Education released a much anticipated framework for its Postsecondary Institutions Ratings System (PIRS).
- **CFPB Finds 70 Percent Decrease in College Credit Card Agreements, Continues to Raise Concern with Debit Cards on Campus**
  The Consumer Financial Protection Bureau released its annual report on college credit card agreements, and found that the number of agreements since Congress passed new disclosure requirements in 2009 dropped by nearly 70 percent.
- **CFPB Moves to Shut Down Two Student Debt Relief Companies**
  The Consumer Financial Protection Bureau (CFPB) moved to put an end to two student "debt relief" companies this week.

## Industry

- **Brookings Institute Study Points to Lack of Financial Information as Real Crisis in Student Loan Dialogue**
  A new study released by the Brookings Institute paints a disappointing picture on the average college student's concept of their financial debt.
- **New Report Released Argues for Income-Based Repayment and Payroll Withholding**
  A new report authored by the New America Foundation, Young Invincibles, and The National Association of Student Financial Aid Administrators (NASFAA) argues that combining automatic Income-Based Repayment (IBR) with payroll withholding could help simplify the student loan system and reduce default and delinquency numbers.
- **Private Student Loan Market Shows Improving Performance and Growth**
  According to a new report released Wednesday by MeasureOne, lenders extended $7.04 billion worth of student loans for the 2013-2014 academic year, up six percent from a year prior and 25 percent from 2010-2011.

## Attachments

- **Draft Agenda for COHEAO Annual Conference**
- **COHEAO Commercial Members**
- **COHEAO Board of Directors**

## COHEAO

### Register Today for the COHEAO Annual Conference – Agenda Full of Important Topics

Time is running out to register for the 2015 COHEAO Annual Conference under the special early bird prices. For COHEAO institutional members, the rates are $590 prior to January 7. For our commercial and organizational members, the rates are $640. For non-members, the rates are $690 for schools and $1,540 for commercial organizations prior to January 7. After January 7, all rates increase by $50.

In addition to professional development and networking opportunities throughout the week, the COHEAO Annual Conference focuses on how Washington impacts those working in student financial services.

On Monday, January 26th, the first full day of the conference, attendees will receive a legislative update, with David Bergeron from the Center for American Progress, discussing the Higher Education Agenda in Congress for the upcoming year. COHEAO executive director, Harrison Wadsworth, will also provide an update on COHEAO's perspective on the political and regulatory climate and the implications for Perkins Loans, student financial services operations on campus and their vendor partners. A panel of congressional staff members will give their perspective on what to watch for in terms of higher education in the upcoming congress, and a session with Trinity Washington University president, Patricia McGuire will cover issues of financial literacy for first generation students.

The second day of the conference, Tuesday, January 27th, will begin bright and early with a presentation from Student Tuition and Accounts Receivable Sources (formerly the Account Receivable Task Force) with the latest in tuition account management. The day will continue with sessions covering topics including, "How to Improve Student Retention Using Data-Driven Initiatives," and a Perkins Task Force Meeting and Grassroots Overview that will give you the tools you need to conduct successful meetings on Capitol Hill and outline COHEAO's message to legislators on preserving and improving the Perkins Loan Program and other issues affecting campus offices. The day will conclude with an afternoon set aside for visits to congressional offices.

The final day of the conference includes sessions by Gail McLarnon and Brian Smith of the Department of Education's Office of Postsecondary Education, giving a department update. Additional morning sessions cover topics such as "Assets for Independence: Graduating with Less Debt and More Knowledge" by Emily Appel-Newby of AFI Resource Center, and "What Happens When they Graduate?—An Overview of Student Outcomes Data" by Mark Schneider, President of College Measures. The final session of the conference, a discussion of compliance requirements, will be given by Lori Hartung of Todd Bremer & Lawson.

Registration is available--sign up today! Set for January 25 - 28 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.

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 $228 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 7 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. The COHEAO group code is CEOCEOA

We will be providing further details in the coming days and 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.

### Happy Holidays from COHEAO!

COHEAO would like to wish all of our members, friends, and their families a safe and happy holiday season. Over the holiday season, all of us here in the COHEAO DC office rare certain to reflect on how thankful we are to work with the extraordinary members and leader of COHEAO.

Due to the holidays, we will provide our next edition of *The Torch* on Mondday, January 5. We will also issue *COHEAO Sparks* as developments warrant.

## Top News

### COHEAO's Save Perkins Petition Tops 2,500 Signatures

The Coalition of Higher Education Assistance Organizations recently launched a petition in support of the preservation of the Federal Perkins Loan Program. The Perkins Loan Program provides some $1 billion to about 500,000 students on an annual basis, but the program's existence beyond the 2015-2016 award year remains in question.

This funding is critical to students who don't qualify for other financing options, such as private loans, to fulfill their remaining need beyond Stafford Loan limits and Pell Grants. However, in order to provide certainty for students and aid administrators beyond the 2015-16 award year, Congress must reauthorize Perkins or extend its authorization beyond September 30, 2015.

"The ability of nearly five hundred thousand students to affordably finance their education through the proven and long-standing Perkins loan program hangs in the balance" said Maria Livolsi President of COHEAO.

"We are asking students, alumni and everyone who values the importance of access to higher education to show their support by signing this petition. We need to convey to Congress how critically important it is that they save the Perkins Loan Program," Livolsi said.

The Perkins Loan Program operates via a revolving fund structure, meaning that as existing loans are repaid those funds are then lent again to current students. Though the program has not received an appropriation in over five years, it has continued to make $1 billion a year available in low-cost, affordable loans.

The petition is part of the "Save Perkins Now" campaign launched by COHEAO. Additional information on the "Save Perkins Now" advocacy campaign will be shared through a special page on the COHEAO website, @SavePerkinsNow on Twitter and an accompanying Facebook page.

- The “Save Perkins Now” petition is available online: https://www.change.org/p/save-perkins-now
- COHEAO’s advocacy page on preserving the Perkins Loan Program is available online: http://www.coheao.com/advocacy/the-future-of-perkins-loans-what-you-can-do-to-help/

# Congress

## Enzi Takes Budget Gavel As Senate Committee Assignments Take Shape

After an intraparty fight, it was announced that Senator Mike Enzi (R-WY) will become Chairman of the Senate Budget Committee in the 114th Congress, which commences Jan. 6, 2015. Enzi and Sen. Jeff Sessions (R-AL) were both running for Budget Committee’s top slot and it was the last Senate chairmanship to be disclosed. Committee assignments still need to be ratified by the full conference and committee members vote on their chairs, however, these votes are largely formalities.

Of interest for student loans and higher education, Sen. Lamar Alexander (R-TN) will lead the HELP Committee with Sen. Patty Murray (D-WA) as Ranking Democrat. Senator Thad Cochran (R-MS) is slated to head the Appropriations Committee with Sen. Barbara Mikulski (D-MD) as the Ranking Member. Senator Bernie Sanders (I-VT) will serve as Enzi’s counterpart from the Democratic Caucus. On the Banking Committee, Sen. Richard Shelby (R-AL) is expected to become Chairman with Sen. Sherrod Brown (D-OH) as Ranking Democrat.

Committee assignments were also announced. Senator Susan Collins (R-ME) returned to the HELP Committee and incoming-Sen. Bill Cassidy (R-LA) will also join the panel.

Senate Republican Committee assignments are available online:
http://www.republican.senate.gov/public/index.cfm/blog?ID=cccbb684-0ead-473b-8f51-2f5dee96acb2
Senate Democratic Committee assignments are available online:
http://democrats.senate.gov/committees/#.VJSG__8FcMg

## New Republican Members Named to House Education and the Workforce Committee

This week, Chairman John Kline (R-MN) named returning and new Republican Committee members for the House Education and the Workforce Committee. Brief biographies on each of the new Members of the Committee are included below. Kline’s full statement is available online:
http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=398177

*Brief Biographies for New Republican Education and the Workforce Members in the 114th Congress*

***David Brat (VA-7)*** *catapulted himself to fame as the long-shot primary candidate who beat incumbent Majority Leader Eric Cantor in the race for Virginia’s 7th District seat. The Richmond-area economics professor again gained headlines as he squared off against his Democratic rival, a fellow professor at Randolph-Macon College who he occasionally joins on the basketball court. An economist by training and backed by the Tea Party, Brat’s economic point of view can be compared to that of Ayn Rand. He has served on a bipartisan economic advisory council for former governors Tim Kaine, a Democrat, and Bob McDonnell, a Republican. Brat has not made any public indications of his platform on law enforcement,* *juvenile justice or sexual assault policy. In 2005, he served as an adviser to state Senator Walter A. Stosch, where he researched higher-education initiatives, including a proposal to create a grant program allowing underprivileged students to move beyond high school. He opposes federally mandated policies such as the Common Core curriculum, and No Child Left Behind.*

***Buddy Carter (GA-1)*** *has been a pharmacist for more than 30 years and owns Carter's Pharmacy, Inc. which has three locations in Georgia. He earned an associate's degree from Young Harris College and a B.S. in pharmacology from the University of Georgia. Carter's political career began on the planning and zoning commission for the city of Pooler, GA and then on the Pooler City Council. He served as Mayor of Pooler from 1996 to 2004 before being elected to serve in the Georgia House of Representatives for two terms. He was most recently serving as a state senator and sits on the Committees of Higher Education, Appropriations, Health and Human Services, and Public Safety. When Carter began his post as chairman of the Senate Higher Education Committee, he had been a trustee of Young Harris College, but had not specialized in higher education issues before. Carter does not have a voting record or policy statements about juvenile justice, domestic violence, or foster care, though he has consistently voted in favor of death penalty measures, use of deadly force and expanding sex offender restrictions. Georgia's 1st congressional district encompasses the entire coastal area of Sea Islands and the southeastern part of the state and was represented by Jack Kingston in the 113th Congress. Buddy Carter has no relation to President Jimmy Carter.*

***Mike Bishop (MI-8)*** *served as a member of the Michigan state senate before winning election to the U.S. House, with committee assignments including commerce, banking and financial institutions, gaming and casino oversight and judiciary. Bishop considers himself a "life-long conservative leader," supporting budget cuts, lower taxes, gun rights, pro-life and right-to-work legislation. He wants to repeal the Affordable Care Act, supports securing national borders and opposes any amnesty for immigrants residing illegally in the United States. He also supports a part-time legislature that is "citizen-driven." He does not have any policy statements concerning domestic violence, juvenile justice or foster care. As a state senator, Bishop sponsored legislation to create the Michigan Child Protection Registry to shield children from receiving pornography, tobacco, and other unsuitable materials. Bishop earned a bachelor's degree from the University of Michigan and a law degree from the Michigan State University College of Law.*

***Glenn Grothman (WI-6)*** *will replace retiring Representative Tom Petri as Wisconsin's 6th district U.S. House Member, representing the eastern Wisconsin region that encompasses Fond du Lac and Oshkosh. Grothman ran on a Tea Party-backed platform far to the right of Petri, who announced his retirement before the primary. Grothman, a graduate of the University of Wisconsin-Madison and University of Wisconsin Law School, opposes pre-K funding because he believes results are lost by fourth grade and that early education funds are misused by schools. He believes the U.S. Department of Education is unconstitutional, and has pledged to "work tirelessly" to disband it. Grothman is opposed to Common Core standards, hopes to repeal the No Child Left Behind Act and is a vocal advocate of school choice. Grothman authored legislation providing a refundable tax credit to parents of children in private schools and was ultimately able to secure an income tax deduction for these parents. He was an opponent of all tuition increases in Wisconsin and advocated for cuts in tuition and student fees. Grothman claims that he will introduce proven, free-market principles into the higher education system. According to his campaign website, he wants universities to take a students' ability to repay their loans into consideration when setting the price for tuition by allowing student debt to be restructured under bankruptcy like other debts. During his time in the Wisconsin State Senate, Grothman introduced a bill requiring the state's*

*Child Abuse and Protection Board to label single parents as a major factor contributing to child abuse and neglect.*

***Steve Russell (OK-5)*** *will replace Senator-elect Lankford as the Representative from Oklahoma's 5th district, which covers Oklahoma City and its surroundings. Russell spent 21 years in the Army, including deployments in Kosovo, Kuwait, Afghanistan and Iraq. While in the State Senate, he advocated for tax-exempt status for serving soldiers. Russell retired after one term in the State Senate to open Two River Arms, a small rifle manufacturing business where he replicates Iraqi rifles. Russell has made no formal policy statement regarding juvenile justice, domestic violence or sexual assault policy.*

***Carlos Curbelo (FL-26)*** *has experience in public and media relations, and worked as state director and Hispanic policy advisor for Republican Senator George LeMieux of Florida. Curbelo has served on the Miami Dade County School Board, and the Governor's Education Transition Team. He is a proponent of a simplified tax system, and believes that a reduced corporate tax rate will stimulate job creation and economic recovery. With regard to immigration, Curbelo wants to secure the border and reform immigration to include a stronger guest worker program and a path to citizenship. Curbelo also positions himself as a supporter of entitlement reform for the sake of future generations. Curbelo believes that the student loan situation can be alleviated by refiguring tax rates, which will lead to job growth and better jobs and in turn create the quality jobs that college graduates seek. He also believes the federal government can help with the high levels of student loan debt by creating a "rigorous accountability system" for higher education institutions. Representing a district covering the southern tip of Florida, Curbelo earned bachelor's and master's degrees from the University of Miami.*

***Elise Stefanik (NY-21)*** *recently became the youngest women ever elected to Congress. She most recently worked for her family's Northeastern New York business, Premium Plywood Products, Inc., but also has considerable public policy experience. She worked on the Domestic Policy Council for the George W. Bush administration following her graduation from Harvard University, and has also worked in the office of the White House Chief of Staff, assisting with economic and domestic policy issues. Stefanik pledged to support women's issues in Congress in a public statement to commemorate the 20th anniversary of the Violence Against Women Act. She highlights job creation and reducing regulatory and tax burdens as a few of her policy priorities—she publicized a written pledge to New York's 21st Congressional district promising not to vote for any income tax increases. In terms of education, Stefanik opposes the federal Common Core program and believes educational decisions should remain local. Stefanik indicated she supports working on a bipartisan basis to address student loan legislation that will keep rates from doubling up on college students and will tie student loan rates to U.S. Treasury bill rates, but also capping those rates at or around 8 percent (as is the case with current law). She has been a strong supporter of community colleges, technical and vocational schools, and certificate programs.*

***Rick Allen (GA-12)*** *has experience in pharmaceutical sales and established Vita-Rx Corporation with his father in 1978. He positions himself as a champion for conservative values such as limited government, individualism and fiscal responsibility. He is against abortion, and supports Israel and gun rights, and wants to repeal the Affordable Care Act. Allen does not have policy statements regarding domestic violence, foster care, juvenile justice or law enforcement. Allen wants to eliminate the Department of Education and give states the authority to make education decisions, but believes in preserving federal funding for Pell Grants and student loans. Rick Allen is a graduate of the University of Georgia and represents a district covering the southwest corner of the state.*

## House Passes $1.1 Trillion Spending Bill Despite Drama

After days of high drama, Congress passed the $1 trillion-plus *Consolidated and Further Continuing Appropriations Act of 2015 (H.R. 83)*—commonly known as the Cromnibus—and the 113th Congress came to a close shortly thereafter.

The legislation drew both bi-partisan support and opposition. Some Democrats, led by Senator Elizabeth Warren (D-MA), objected to provisions that increase limits on campaign contributions by individuals and weaken provisions affecting the finance sector in the Dodd Frank Act. Warren lobbied House Democrats to vote against the bill, who had the rare chance to be the deciding vote due to Republican divisions over the bill. Warren was able to sway some House Democrats to her side, including Minority Leader Nancy Pelosi (D-CA), who went from supporting the bill to being neutral to being passionately opposed to it. However, Minority Whip Steny Hoyer (D-MD), working with the White House who favored the bill, pulled together enough Democratic votes to get the bill through.

Conservatives remain furious with the President over his immigration executive action and many were willing to have the government shut down to prevent the President from carrying out his order. In the end, House Republicans supported the bill 162-67. Though Warren continued her ardent opposition and the plan was also opposed by Senators in both parties, H.R. 83 ultimately passed 56-40 in the Senate a few days after the close vote in the House.

A provision of the bill put forth by House Democrats cuts $303 million in funding from the federal governments' Pell Grant program. The money, however, will come out of the program's $4.4 billion surplus. Senator Harkin (D-IA) introduced the proposal to cut funding in order to pay for student loan servicing, specifically the not-for-profits (NFPs). Given the size of the surplus--$4.4 billion—the action had no immediate effect on the program. However, many student loan advocates claim that this could affect Pell funding in the future, which some say is destined to become a deficit by 2017.

## Senators Urge Department of Education to Forgive Corinthian College Student Loans

Thirteen U.S. Senate Democrats sent a letter asking Education Secretary Arne Duncan to forgive federal loans for students at schools owned by Corinthian Colleges Inc.

The letter requests that the Department of Education clarify whether the current pending state lawsuits against Corinthian qualify as enough evidence to demonstrate that a loan is not legally enforceable, and for the department to make the process for requesting a discharge more clear. It also asks multiple questions on guidance the Department has provided, or plans to provide, on borrower defenses to repayment.

The full letter is available online: https://consumermediallc.files.wordpress.com/2014/12/2014-12-9-corinthian-letter.pdf

## GAO Examines Declining State Support and Rising Tuition

At the request of Senate HELP Committee Democrats, the Government Accountability Office (GAO) examined state spending on higher education. In relevant part, the report finds:

*From fiscal years 2003 through 2012, state funding for all public colleges decreased, while tuition rose. Specifically, state funding decreased by 12 percent overall while median tuition rose 55 percent across all public colleges. The decline in state funding for public colleges may have been due in part to the impact of the recent recession on state budgets. Colleges began receiving less of their total funding from states and increasingly relied on tuition revenue during this period. Tuition revenue for public colleges increased from 17 percent to 25 percent, surpassing state funding by fiscal year 2012, as shown below. Correspondingly, average net tuition, which is the estimated tuition after grant aid is deducted, also increased by 19 percent during this period. These increases have contributed to the decline in college affordability as students and their families are bearing the cost of college as a larger portion of their total family budgets."*

*GAO found that federal support for higher education is primarily targeted at funding student financial aid— over $136 billion in loans, grants, and work-study in fiscal year 2013—rather than at programs involving states. GAO identified several potential approaches that the federal government could use to expand incentives to states to improve affordability, such as creating new grants, providing more consumer information on affordability, or changing federal student aid programs. Each of these approaches may have advantages and challenges, including cost implications for the federal government and consequences for students.*

Additional information, including further highlights and the full report, are available online: http://www.gao.gov/products/GAO-15-151

## White House & Administration

### OIG Report Faults Department for Lack of Default Plan, Endorses TCPA Changes to Improve Servicing

An audit conducted by the Department of Education's Office of Inspector General (OIG) found that the Education Department lacks a comprehensive plan to prevent student loan defaults.
The audit reviewed the Department's administration of student loan debt and repayment from 2011 through this year. Additionally, the report blames officials for not explicitly requiring that its loan servicers conduct default prevention activities and for not sufficiently overseeing those servicers.

However, beyond raising concerns over the lack of a strategic plan and vendor management, the audit includes one of the strongest endorsements of changes to the Telephone Consumer Protection Act (TCPA) and other telecommunications laws from the Department of Education. Tucked inside the audit report and listed as "Other Matters" is the Department's affirmation of the importance of being able to efficiently communicate with borrowers for student loan servicing. In part, the report states:

> *Federal Calling Restrictions.* *Nelnet and Great Lakes officials specifically identified the Telephone Consumer Protection Act of 1991 (Public Law 102-243), as amended, (TCPA) as a significant barrier to contacting borrowers and carrying out their default prevention activities. The TCPA prohibits autodialing or leaving automated voice messages on a cellular phone without consent. According to Nelnet and Great Lakes officials, the TCPA is outdated because many borrowers now use cellular phones as their primary communication method, not landline telephones. Nelnet and Great Lakes primarily use automated dialing systems to perform their telephone outreach activities with delinquent borrowers. Nelnet and Great Lakes officials believe that about twice as many telephone calls can be placed to borrowers when autodialing, rather than manual dialing, is used.*

*The Department supports changes that would allow Federal student loan servicers to autodial a borrower's cellular telephone without the borrower's consent. In May 2010, Department officials from the Office of the General Counsel and FSA met with officials from the Federal Communications Commission to discuss proposed changes to the Commission's rules and regulations implementing the TCPA. Department officials provided information to the Commission to show how restrictions on autodialing cellular telephones make student loan servicing more difficult and costly. The Department presented options for the Commission's consideration to address this issue, including exempting Federal student loans, exempting all entities that have a business relationship with the person they are calling, or allowing the Department to obtain a borrower's consent during the loan origination process. The three most recent President's budgets (FYs 2013–2015) have proposed to Congress that the use of automatic dialing systems and prerecorded voice messages be allowed when contacting wireless phones to collect debts owed to or granted by the United States. In addition, in February 2014, the Office of Management and Budget approved a revised Master Promissory Note for the Direct LoanProgram that included borrower consent for automatic dialing to cellular telephones; this consent only applies to those loans that the borrower receives under the revised Master Promissory Note.*

*State Calling Restrictions. Nelnet and Great Lakes officials stated that State calling restrictions also create barriers for the servicers when contacting borrowers and carrying out their default prevention activities. The frequency, type, and content of allowable communications between servicers and borrowers are not consistent across the States. For example, Massachusetts prohibits loan servicers from calling or texting a borrower's primary telephone number more than twice over a 7-day period and from calling borrowers' other telephone numbers more than twice during a 30-day period; other States do not impose these restrictions. In addition, manyStates restrict communications between servicers and third parties, including prohibiting servicers from communicating with a borrower's employer or from disclosing the existence of a debt to a third party. Several States require servicers to explicitly disclose to borrowers that they are creditors attempting to collect debts and that any information provided will be used for that purpose. State laws also vary in terms of what information can be left on a voice mail message.The lack of consistency across States generally makes it more difficult for the servicers to carry out their default prevention telephone outreach in the most efficient and cost-effective manner.*

The OIG claims that the lack of strategy puts the Department in an unfit position to make strategic informed decisions about the effectiveness of default prevention initiatives and efforts. As a result, the report states, that the Department may have missed "opportunities to communicate and coordinate across Department offices, identify and rank risks, streamline activities, communicate with servicers, use data to manage and innovate, respond to changes, and provide greater transparency."

The Department's response to the report indicated agreement with much of the audit's findings and ED would seek to develop a comprehensive plan.

The audit report is available online:http://www2.ed.gov/about/offices/list/oig/auditreports/fy2015/a09n0011.pdf

## PIRS Framework Offers Little Detail as ED Seeks Additional Feedback

The Department of Education released a much anticipated framework for its Postsecondary Institutions Ratings System (PIRS). After 16 months of deliberations, the Department released a document with a few pages of information on PIRS and announced it planned to seek additional feedback. ED is seeking comments by February 17, 2015 at collegefeedback@ed.gov.

The document provides some insights into the Department's thinking on the PIRS project. The framework indicates ED will use PIRS to rate two and four-year degree granting institutions; graduate and non-degree programs will not be included. The Department also envisions a three-tier ratings system and emphasizes PIRS will not produce "rankings." At minimum, the ratings system will group two and four-year institutions separately, and the document indicates the Department is mulling several other factors, such as selectivity and institutional resources, for further refining these groupings.

One of the many questions and criticisms throughout the ratings system process has been what data systems would be used to fill PIRS. The Department offers the following on data sources for the first version of PIRS:

*This first version of college ratings will rely primarily on data from federal administrative data systems and data collections, including the Integrated Postsecondary Education Data System (IPEDS), the National Student Loan Data System (NSLDS), and earnings information). All data used for the ratings will be used and maintained according to the highest federal privacy standards.*

The relative lack of substance within this highly anticipated document was often the focus in coverage of the release of the framework. "They have now spent longer to get to the conceptual ratings than they took to draft, debate and pass the Affordable Care Act," Terry Hartle, a senior vice president at the American Council on Education told *Inside Higher Ed*. "This cake has been in the oven for a very long time, and that is because this is not easy."

He later added, "You have to give the department great credit for meeting with anyone who wanted to talk about it. But this has been a very closed process. The department has been very unwilling to talk about their specific plans for a rating system."

Additional information from the Department of Education is available online:
https://www.insidehighered.com/sites/default/server_files/files/ratings%20framework%20draft.pdf

## CFPB Finds 70 Percent Decrease in College Credit Card Agreements, Continues to Raise Concern with Debit Cards on Campus

The Consumer Financial Protection Bureau released its annual report on college credit card agreements, and found that the number of agreements since Congress passed new disclosure requirements in 2009 dropped by nearly 70 percent. Despite the decrease in credit card agreements on campus, the report suggests there has been a growing trend in college debit and prepaid card agreements. Unlike credit cards, these products do not fall under the 2009 Credit Card Accountability, Responsibility and Disclosure (CARD) Act and thus, their marketing partnerships with schools do not need to be disclosed.

In releasing the report, CFPB Director Richard Cordray said, "Today, financial institutions are cutting more deals with colleges and universities to market student banking products that require less disclosure. Schools and financial institutions should be up front on their website with students and their families about whether or not the school is being compensated to encourage students to use a specific account or card product."

Consumer Bankers Association President Richard Hunt responded: “We agree students need clear information to make intelligent choices that will benefit their experience with financial services and products. Banks and schools often work together to provide students with financial education resources, safe and secure debit cards, low or no-fee checking accounts and access to convenient on-campus branches and ATMs. Students are never required to use any product or service. Further, it remains unclear how posting proprietary contracts would benefit consumers, and what evidence exists which shows consumers are being harmed by these agreements.”

The CFPB news release can be found: http://www.consumerfinance.gov/newsroom/cfpb-report-finds-continued-decline-in-college-credit-card-agreements/
The CFPB Report is available online: http://www.consumerfinance.gov/reports/2014-college-credit-card-agreements/

## CFPB Moves to Shut Down Two Student Debt Relief Companies

The Consumer Financial Protection Bureau (CFPB) moved to put an end to two student “debt relief” companies this week. The CFPB, in a joint filing with Florida’s Attorney General, shut down student debt relief company College Education Services and separately filed a lawsuit against Student Loan Processing.US for illegally marketing student debt relief services. The Bureau also issued a warning to student loan borrowers to be wary of paying high fees for free federal loan benefits.

There has been much discussion over these student debt relief companies in recent months. The CFPB and others allege these companies market services that are otherwise provided for free. Jim Krause, president of StudentLoanProcessing.us, indicated that his company had cooperated with the Bureau for more than a year and was surprised they moved to file a lawsuit. Krause defended his company’s practices, arguing it provided a useful service to borrowers in helping them navigate student loan repayment.

“We stand by our services, and we look forward to our day in court,” Krause said in a statement emailed to reporters.

The CFPB announcement states, “The U.S. Department of Education offers numerous plans to borrowers with federal student loans to make payments more affordable. These include options that let borrowers set their monthly payment based on their income. Monthly payments under these plans can be as low as zero dollars per month for unemployed or very low-wage borrowers. The Department of Education does not charge any fees to apply for or enroll in these plans, for which many student loan borrowers qualify.”

The following is how the CFPB described the activities of each company and the Bureau’s subsequent actions:

***College Education Services Banned from Industry***
*College Education Services, its owner, Marcia Elena Vargas, and advisor and employee, Frank Liz, marketed and advertised debt relief services to student loan borrowers with loans in default. Based in Tampa, Florida, the company advertised through Internet ads and operated websites including CollegeDefaultedStudentLoan.com and HelpStudentLoanDefault.com. The company reaped millions of dollars in advance fees from thousands of consumers before it ceased operations around February 2013. Specifically, College Education Services:*

- ***Charged illegal advance fees:*** *Federal law requires at least one debt to be renegotiated, settled, or reduced before a fee can be collected for debt relief services. But College Education Services charged consumers between $195 and $2,500 and required all, or a substantial portion, of its fees to be paid upfront; the average fee was about $500. The company even took money from financially distressed consumers who could not qualify for loan consolidation, income-driven payment plans, or loan forgiveness programs.*
- ***Falsely promised lower payments:*** *Presenting themselves as "counselors," College Education Services' telemarketers promised consumers that they could solve all the student loan issues that plagued consumers. Internet ads and telemarketers guaranteed lower monthly payments for consumers. One College Education Services' ad said, "Cut Your Student Loan Monthly Payment Up to 50% – Save Today!" The company often failed to deliver the promised results. For some consumers who qualified for loan consolidation, College Education Services selected monthly repayment plans that increased their monthly payments.*
- ***Falsely claimed quick relief from default or garnishment:*** *The company promised quick relief from default or garnishment. Garnishment is when a court order allows money to be taken from a consumer's salary, bank account, or other asset when she owes money. But the principal debt relief approach the company used – loan consolidation − did not and could not ensure those benefits in all cases, and not in the quick timeframe the company promised.*

*Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau has the authority to take action against companies engaging in unfair, deceptive, or abusive practices. Today, the Bureau asked a federal district court to enter a consent order that would permanently ban College Education Services, Liz, and Vargas from engaging in any debt relief businesses. In addition to the permanent ban, the proposed order requires College Education Services, Vargas, and Liz, to pay a $25,000 civil penalty, which was based on the defendants' inability to pay a more substantial amount.*

***Student Loan Processing.US Sued***

*Student Loan Processing.US, a fictitious business name of Irvine Web Works, Inc., is headquartered in Laguna Nigel, California, with an office in Dallas, Texas. The CFPB alleges that since at least July 2011, the company and its owner, James Krause, has been marketing and advertising services to advise and assist borrowers applying for Department of Education federal student loan repayment programs. The company operates websites under the names StudentLoanProcessing.us, StudentLoanProcessing.org, and slpus.org. In the complaint filed today, the Bureau is accusing the company and Krause of:*

- ***Falsely representing an affiliation with the U.S. Department of Education:*** *Claiming to be a "consultation service," Student Loan Processing.US implies to consumers that it is affiliated with the Department of Education. The company uses a logo that resembles a government seal, stamps "Official Business" on its mail to consumers, and cites federal law prohibiting mail tampering to create the impression that the marketing material is sent or endorsed by the federal government.*
- ***Charging illegal advance fees:*** *Student Loan Processing.US charges consumers considerable upfront enrollment fees of either 1 percent of the consumer's federal student loan balance or $250, whichever is higher. The company requires payment of the entire fee before it even mails application materials to consumers.*
- ***Deceiving borrowers about the costs and terms of its services:*** *Student Loan Processing.US fails to clearly explain and disclose that it charges a monthly service fee that continues until the consumer's federal student loans are paid in full or discharged, a timeframe that could last decades. In certain cases, the company advises consumers who may qualify for zero payments to*

*pay $39 a month – without adequately explaining that the $39 is going to Student Loan Processing.US as a fee.*

The Bureau noted it had the authority to take action against companies engaging in unfair, deceptive, or abusive practices under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Additional information is available online: [http://www.consumerfinance.gov/newsroom/cfpb-takes-action-to-end-student-debt-relief-scams/](http://www.consumerfinance.gov/newsroom/cfpb-takes-action-to-end-student-debt-relief-scams/)

## Industry

### Brookings Institute Study Points to Lack of Financial Information

A new study released by the Brookings Institute paints a disappointing picture on the average college student's concept of their financial debt. The analysis was based off the 2011-2012 National Postsecondary Student Aid Study (NPDSD) and survey data from a selective four-year public university in the Northeast.

About half of all first-year students underestimate how much student debt they have. In a brief describing the report one of its authors, Beth Akers, writes, "Only a bare majority of respondents (52 percent) at a selective public university were able to correctly identify (within a $5,000 range) what they paid for their first year of college. The remaining students underestimate (25 percent), overestimate (17 percent), or say they don't know (seven percent)."

The report did show some differences between the "national, selective university" and the NPSAS data, most notably the students at the selective school appear more likely to overestimate their debt loads. Whether it is over or under, the report shows there is widespread confusion among students about their debt levels. Akers adds, "Lastly, we find that among students with federal loans, 28 percent reported having no federal debt and 14 percent said they didn't have any student debt at all."

Matt Chingos and Akers co-authored this report, as well as another one earlier this year that received much criticism after questioning the reality of the so-called student loan crisis. In an apparent reference to moves to make federal loan repayment plans more widely available and generous for high-debt borrowers, Akers writes, "Focusing on a broad crisis when none exists has produced policy proposals that miss the mark in terms of providing relief where it is actually needed. Understanding the reality of student lending will allow policy makers to work on addressing the real problem in student lending instead of using excessively blunt tools to tackle the elusive 'student loan crisis.'"

The research does not explain the high level of confusion among students on their debt levels, but does reinforce the need for improving the college search process by making college costs more transparent to perspective students and families. The report points out a lack of literacy regarding financial trade-offs of higher education as a major problem in student lending, and one that policy makers must take more seriously.

In her comments on the report, Akers lists three potential consequences of misinformation about price and debt. The first is that students make expensive mistakes that they will eventually regret. She points to students feeling stuck in a particular career path simply because they must pay back loans. The second consequence she writes about is the unpleasant surprise that occurs when borrowers eventually realize the financial burden that they are faced with after school. She claims that this level of surprise has contributed to the sense of victimization expressed by student borrowers, particularly those whose stories are popular among the press. Finally, she mentions the fact that misinformation can ultimately affect prices since higher education functions as a market.

The authors of the report conclude, “Rather than focusing efforts on providing financial relief based on the notion that hardship is widespread among borrowers, this evidence tell us that we need to take steps to develop a culture of informed and critical decision making in higher education.”

To read the Brookings Institution Report: http://www.brookings.edu/research/reports/2014/12/10-borrowing-blindly-akers-chingosFor author Beth Akers article, see: http://www.brookings.edu/research/papers/2014/12/11-chalkboard-real-student-lending-crisis-akers

## New Report Released Argues for Income-Based Repayment and Payroll Withholding

A new report authored by the New America Foundation, Young Invincibles, and The National Association of Student Financial Aid Administrators (NASFAA) argues that combining automatic Income-Based Repayment (IBR) with payroll withholding could help simplify the student loan system and reduce default and delinquency numbers. With student-loan default on the rise, policy makers and advocacy groups are suggesting automatic enrollment for some or all borrowers in income-based repayment.

The authors of the report, which was written as part of the Gates Foundation’s Reimagining Aid Delivery and Design (RADD) Project), argue that making student loan payments should be more like paying Social Security taxes. Under a withholding system, loan payment amounts are configured and withheld by employers at the same time that income is generated. The key advantage is that payments track income in real time.

The report adds, “The other advantage of payroll withholding is that borrowers who miss payments or do not pay for reasons other than unaffordability would find it more difficult to become delinquent or default on their federal student loans.”

The authors warn of major implementation challenges of payroll withholding. A poorly designed system could disadvantage employers and borrowers. The authors of the report note, “The Department will need to create a new process to track loan payments and display the status of borrowers’ loans.”

The authors do warn that “payroll withholding will automatically elevate student loan payments to a higher priority in a borrower’s monthly budget.” In the coming months, the group plans to release another paper that will address these and other concerns and to have the analysis reviewed by experts and stakeholders.

The RADD Consortium’s answer to the significant issue prioritizing student loan repayment for borrowers over other expenses, say food or rent, is the final footnote of the report indicating borrowers could notify their employers and the Department of Education they want to opt-out of the withholding scheme.

The report is available online: http://www.edcentral.org/wp-content/uploads/2014/12/RADDIII_PAYROLL_FINAL.pdf

## Private Student Loan Market Shows Improving Performance and Growth

According to a new report released Wednesday by MeasureOne, lenders extended $7.04 billion worth of private student loans for the 2013-2014 academic year, up six percent from a year prior and 25 percent from 2010-2011. Private loan balances reached $64.2 billion in the third quarter of 2014, up three percent from the previous year and up 39 percent from the same quarter in 2008. Nonetheless, private student loan lenders still only account for 7.5 percent of outstanding student loan balance.

MeasureOne's *Private Student Loan Performance Report –Q3 2014* shows continued positive trends in repayment, delinquencies, and charge-offs for the loans. In particular, the report demonstrates that since their peak in Q3 2009, serious delinquencies declined 52 percent and annualized charge-offs declined 74 percent.

The report analyzed data from the nation's six largest active lenders and holders of private student loans including Citizens Bank, Discover Bank, Navient, PNC Bank, Sallie Mae, and Wells Fargo Bank. The six hold about 70 percent of outstanding loans, the report says.

In addition to strong underwriting standards, the use of cosigners and school certification continues to contribute to the improved performance of private student loans. The report showed that 94 percent of loan dollars given out for the current academic year had a cosigner, as opposed to only 77 percent in 2008-2009. In addition, 97 percent of lenders are also certifying loans with schools.

MeasureOne outlined the following highlights in the report

- *Early-stage delinquencies (30 to 89 days past due) fell to 3.2 percent, a 19 percent improvement in Q3 2014 compared with Q3 2013.*
- *Serious delinquencies (90+ days past due) fell to 2.4 percent, a 22 percent improvement in Q3 2014 compared with Q3 2013.*
- *Annualized charge-off rates declined to post credit-crisis lows of 2.4 percent, a 22 percent improvement in Q3 2014 compared with Q3 2013.*
- *At the end of Q3 2014, approximately 74 percent of outstanding private student loans for the six participants were in repayment status.*
- *Outstanding balances for the six Consortium participants grew $1.7 billion, or 3 percent, from Q3 2013 to Q3 2014."*

A press release from MeasureOne is available online: http://www.prnewswire.com/news-releases/new-measureone-report-shows-continued-strong-performance-trends-for-private-student-loans-300011021.html

Key findings and registration for the full report from MeasureOne, available online: http://www.measureone.com/reports

**COHEAO Annual Conference Agenda 2015**
***All Meetings and Sessions Are Located at the***
***Ritz Carlton Pentagon City Hotel in Arlington, Virginia***

**Sunday, January 25th, 2015**

8:30am – 3:00pm **Board of Directors Meeting**

3:30pm – 5:00pm **Commercial Members Meeting**

4:00pm – 7:00pm **Registration**

6:00pm – 7:00pm **Welcoming Reception**

**Monday, January 26th, 2015**

8:00am – 9:00am **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.*

9:00am – 9:15am **The President's Welcome**

Speaker: Maria Livolsi, COHEAO President

9:15am – 10:15am **Session: The Higher Education Agenda in Congress for 2015**
*Experts with decades of experience in higher education and the student aid programs analyze the direction what the new Congress and the Obama Administration are likely to take with higher education issues, what will guide the decision making and who the key players are. A former acting assistant secretary of postsecondary education and a Hill veteran (invited) will speak.*

Speakers: David Bergeron, Center for American Progress

10:15am – 10:30am **Break**

10:30am – 11:15pm **Session: Washington Update & Insights from COHEAO**
*COHEAO Executive Director Harrison Wadsworth will provide an update on COHEAO's perspective on the political and regulatory climate and what it means for Perkins Loans, student financial services operations on campus and their vendor-partners. This presentation will also address COHEAO's work on many legislative and regulatory matters affecting student financial services on campus.*

Speaker: Harrison Wadsworth, COHEAO Executive Director

11:15 am - 12:15pm **Session: Congressional Staff Panel**
*With a new Congress beginning and HEA reauthorization (possibly) on the horizon, Capitol Hill insiders will provide conference attendees with their insights and perspectives on what to watch for in terms of higher education the 114th.*

12:15pm – 2:00pm **Luncheon Address with Keynote Speaker**

2:00 – 3:00pm **Session: Developing Financial Literacy for First Gen Students:** *Students from low income families often lack even basic skills for personal financial management. College may be the first time these students have a bank account, use checks, have to interface with financial professionals. In this session the president of Trinity Washington University, which serves a population that includes a majority of Pell Grant students, discusses institutional strategies for building financial literacy.*

Speaker: Patricia McGuire, President, Trinity Washington University

3:00 –3:30pm **Dessert Break**

3:30pm – 4:30pm **Session: CFPB Update**
*The CFPB continues to play a critical role in all aspects of higher education finance. This session will review recent Bureau initiatives and the CFPB's plans for 2015.*

6:00pm – 7:30pm **Silent Auction and Reception to Benefit the COHEAO Scholarship Fund**

**Tuesday, January 27th, 2015**

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|---|---|
| 8:00am– 9:15am | **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.* |
| 9:15 am – 9:30am | **Annual Business Meeting** |
| 9:30am – 10:30am | **Session: How to Improve Student Retention Using Data-Driven Initiatives** *What is retention and why is it an integral part of your campus enrollment management program? This session will review emerging trends and new opportunities for ensuring student success and increasing college completion rates; creating a campus culture that embraces student retention as a priority by building on seven key principles; and 10 critical elements of successful institutional retention programs.* <br><br> Speakers: **Gary L. Fretwell**, Senior Vice President & Principal, Noel-Levitz |
| 10:30am – 10:45am | **Break** |
| 10:45 – 11:30am | **Session: Perkins Task Force Meeting & Grassroots Overview -** *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.* T*his session will help provide tools for beginner and experienced advocates alike.* <br><br> Speaker: **Pam Devitt**, University of Illinois, Chicago |
| 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** <br> Location: House and Senate Office Buildings, Washington, DC <br> *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. Attendees are encouraged to make appointments in advance.* |

**Wednesday, January 28th, 2015**

7:30am – 8:30am **Breakfast:**

8:30am – 9:30 am **Speaker: Department of Education Update**
*As work continues on the highly anticipated Postsecondary Institution Ratings System (PIRS), forthcoming negotiated rulemaking sessions on expanding Pay as You Earn (PAYE), drafting regulations related to cash management in Title IV and other program integrity issues, and FY 2016 President's budget request, it is safe to say it is a very busy time at the Department of Education. This session will provide an update on all of the goings on at the Department of interest to campus loan administrators and others involved in the Title IV programs.*

Speaker: Gail McLarnon and Brian Smith, Department of Education, Office of Postsecondary Education

9:30am – 10:30am **Session: Assets for Independence: Graduating with Less Debt and More Knowledge**

Speaker: Emily Appel-Newby - AFI Resource Center

10:30am – 10:45am **Break**

10:45am – 11:45am **Session: What Happens When They Graduate?—An Overview of Student Outcomes Data**
*As the national conversation on higher education moves from "access" to "access and success," defining "success" has presented a major challenge for policymakers. This session will review state-level data on student debt and graduate wages, providing conference delegates with insights on how many states are trying to use these data sources to define success in postsecondary education.*

Speaker: Mark Schneider, President, CollegeMeasures

11:45am – 12:30pm **Session: Compliance Soup – A Review and Discussion of Compliance Requirements**
*"Compliance" is a word often used in the administration of the Federal Student Aid programs and student financial services. This session will help define this common term by providing a review of the basics, where to find additional information, and a Q&A discussion on applicable laws and best practices*

Speaker: Lori Hartung, Todd Bremer & Lawson

12:30 pm **Meeting Adjourns**

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

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