The Torch

June 20, 2014

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

COHEAO News

- **COHEAO Kicks Off Grassroots Efforts to Preserve and Improve Perkins Loans**
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- **The Discount Deadline for the COHEAO Mid-Year Conference Is Approaching—Sign Up Today!**
  The registration and hotel discount deadline is **July 11.** There is still time to register and make your reservations at the Grand Hyatt Denver, but with the July 4 holiday on the horizon, the deadline for these significant discounts will be here before you know it. Go ahead and sign up today!

Congress

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- **Warren Student Loan ReFi Bill Fails 60-Vote Threshold**
  Sen. Elizabeth Warren's "Bank on Students Emergency Loan Refinancing Act," S. 2432, failed to receive the requisite 60 votes for cloture.
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- **Warner, Thune Introduce Bill for Pre-Tax Student Loan Repay on Private Market ReFis**
  Senators Mark Warner (D-VA) and John Thune (R-SD) introduced the Employer Participation in Refinancing Act (S.2429).

White House & Administration

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  Last week, President Obama and Secretary Duncan announced a Presidential Memorandum to extend the generous terms of Pay as You Earn (PAYE) to remaining Direct Loan borrowers.

- ***Washington Post* Interviews CFPB's Chopra**
  In its "Wonkbook" blog, the *Washington Post* interviewed Private Student Loan Ombudsman Rohit Chopra as part of its coverage of Senate consideration of the Elizabeth Warren student loan refinancing bill.
- **CFPB Provides Semi-Annual Report to Congress**
  Richard Cordray delivered his fifth semi-annual report to Congress.
- **TIVAS Contracts Extended**
  This week, the Department of Education announced it had extended the contracts of the four primary Title IV servicers (TIVAS).

Industry

- **NASFAA and NDSLC Create Servicing Task Force**
  The National Association of Student Financial Aid Administrators (NASFAA) is joining with the National Direct Student Loan Coalition (NDSLC) to create a joint Task Force on student loan servicing issues.
- **Brookings Takes a Closer Look at Numbers Behind Student Loan Repayment "Crisis"**
  In response to countless media reports, not to mention numerous speeches from politicians, on borrowers facing "crushing" student debt burdens, Beth Akers of the Brookings Institution provided a deep dive into Federal Reserve data and found the numbers paint a much less scary picture.

Attachments

- **COHEAO Commercial Members**
- **COHEAO Board of Directors**

COHEAO Kicks Off Grassroots Efforts to Preserve and Improve Perkins Loans

With the early stages of HEA reauthorization kicking into full gear (see related article), COHEAO launched our grassroots efforts to preserve and improve the Perkins Loan Program this week. Some 500 Perkins Loan supporters gathered for a conference call to learn more on the current state of the program, COHEAO's advocacy efforts, and what they can do to help.

We want to thank all of you who participated on the call. The overwhelming response from COHEAO and non-COHEAO members alike shows a very strong interest throughout the country in preserving and improving the original federal loan program for students.

We were very pleased with the participation on the call, but it is only the first step. COHEAO members will need to lead the way in advocating for Perkins. To that end, please contact your legislators and let them know how important the Perkins Loan Program is to you and your students. A replay of the call will be available soon and additional information is available online:
http://www.coheao.com/advocacy/the-future-of-perkins-loans-what-you-can-do-to-help/

COHEAO President Maria Livolsi and several members of our Board of Directors will be traveling to Washington to deliver the message of the importance of Perkins in mid-July. We will also be meeting with other higher education associations with the hopes of building a coalition of supporters beyond those working directly with Perkins Loans. We thank you for your interest in advocating on behalf of your Perkins Loan borrowers and we will be looking for your support in the weeks and months ahead. Thanks again and stay tuned!

The Discount Deadline for the COHEAO Mid-Year Conference Is Approaching—Sign Up Today!

The registration and hotel discount deadline is **July 11.** There is still time to register and make your reservations at the Grand Hyatt Denver, but with the July 4 holiday on the horizon, the deadline for these significant discounts will be here before you know it. Go ahead and sign up today!

Set for August 3-5 in Denver, the COHEAO Mid-Year Conference is the premier summertime event for campus loan administrators and student financial services professionals. The COHEAO Mid-Year Conference is a unique event that offers deep insights on the most pressing legislative and regulatory issues facing campus professionals as well as training on the basics of program administration.

In addition to updates on the Congress, the CFPB, and the Department of Education, sessions at the COHEAO Mid-Year will address financial literacy and higher education, the use of debit cards on campus, UDAAP enforcement, and much more. A speaker from Great Lakes Higher Education has just confirmed to discuss loan consolidation issues, a topic that has changed recently thanks to new Department of Education regulations.

COHEAO is also trying something a little bit different for us at this year's Mid-Year—concurrent sessions. This year's Mid-Year agenda will include both concurrent and general sessions for conference attendees.

The COHEAO Mid-Year will be held at the Grand Hyatt Denver, a modern, comfortable hotel located in the heart of the city. COHEAO has negotiated a fabulous rate of $169 for conference attendees. Whether it is catching a game at nearby Coors Field, a visit to the Rocky Mountains, or any of the other fun activities Denver has to offer, the Grand Hyatt Denver is a perfect location for tacking a summer vacation onto a business trip.

Go ahead and sign up today. This is a conference you won't want to miss.

COHEAO Mid-Year Conference at a Glance

When:	**August 3-5, 2014 (Conference Programming August 4 & 5)**
Where:	**Grand Hyatt Denver**
Registration:	**http://goo.gl/hE1mVy**
Additional Info:	**http://goo.gl/ZjfljU**
Costs:	**$460 for all COHEAO members ($510 after July 11)** **$560 for institutional & organizational non-members ($610 after July 11)** **$1,610 for commercial non-members ($1,660 after July 11)**
Conference Hotel:	**Grand Hyatt Denver**
Hotel Registration:	**Click here for online registration** **Call (402) 592-6464 and mention COHEAO.**
Hotel Rate	**$169 (Market rates after July 11)**

Congress

Introduction of HEA Reauthorization in Senate Reportedly Imminent; Alexander and Bennet Introduce Title IV Simplification Bill

HELP Committee Chairman Tom Harkin (D-IA) and ranking Republican Lamar Alexander (R-TN) are actively working to reauthorize at least part of the Higher Education Act. Harkin's effort will be a comprehensive bill to fully reauthorize HEA, but many details still need to be fleshed out.

The bipartisan process that was in place for part of the year in the HELP Committee on the HEA is for now dissolved, as Republicans were not involved in writing the Harkin bill. However, Alexander did draw support from a Democrat, Sen. Micheal Bennet (CO) for his narrower bill focused on the FAFSA and on loan program simplification, and the two penned an op-ed in the *New York Times* that ran yesterday.

Chairman Harkin may introduce his comprehensive bill as soon as next Tuesday. This week's news, combined with ongoing reports of work on individualized bills in the Education and the Workforce Committee, shows there is considerable activity on HEA in both chambers, but final passage of a bill remains extremely unlikely this year. Nevertheless, these bills are important as they set forth the initial ideas for the bills going forward into the next Congress.

Discussions with Harkin's HELP staff indicate they are working on four "buckets" of issues of concern as far as the college cost/student debt discussion—affordability, over-borrowing, accountability, and transparency. The Harkin bill is expected to come in at around 600 pages of legislative text. It is not expected to adopt the Obama Administration's long-time proposal to create a new "Perkins" program identical to Unsubsidized Stafford Loans, but it apparently also does not address the reauthorization of the current program. COHEAO's understanding is that further discussions will take place regarding the future of Perkins.

Conversations with staff and the higher education community indicate his bill is likely to include the following:

- A version of the Warren refinancing legislation
- Streamlining of student loan repayment options
- Bankruptcy discharge of private student loans
- Reforms to the collections process for federal student loans, including auto-enrollment and withholding at the 150 day delinquency mark (a nicer way of saying accelerated wage garnishment)
- Moving from a default rate metric to a loan repayment metric for consumer and, ultimately, institutional accountability purposes
- A "unit record system" that would track individual students' performance in a single federal data base. (note: this may not appear in the text next week, but Harkin plans to add it later)
- Increases to Pell Grants that restore recent cuts including "year-round Pell."
- A prohibition on the use of federal funds for marketing and advertising
- A change in the 90-10 rule for for-profit schools back to 85-15. It will also seek to count veterans and servicemememember benefits like Title IV funds in these calculations
- Restoration of the eligibility of "ability to benefit" students
- The uniform award letter proposed by Sen. Al Franken (D-MN)

The much narrower Alexander bill has the following main ingredients:

- Simplifies the FAFSA to just a few questions
- Restores year-round funding for Pell Grants
- Moves closer to one grant/one loan program
    - It would eliminate SEOG and Perkins Loans.
    - It would create three loan programs—one for undergraduates, one for graduates, and one for parents (Parent PLUS is largely untouched).
    - It would eliminate in-school interest subsidies
    - It would eliminate Grad PLUS Loans, but sets limits of $30,000 in annual graduate loans and an aggregate limit of $150,000
    - It would eliminate the distinction between independent and dependent students as far as loan limits
        - Undergraduate loan limits would increase to $8,000 per year, regardless of year in school. The aggregate limit would be $37,500
- Simplifies repayment plans to IBR and a standard 10-year plan.

The reauthorization effort is fully underway, but there is still a very long way to go. The Alexander-Bennet legislation highlights the bipartisan infatuation with simplification that is a major concern for the continuation of the Perkins Loan Program. However, it is important to note Chairman Harkin and others on the Committee, as well as many in the higher education community, remain highly concerned with a "One Grant/One Loan" concept.

When wrapped in a nice package from various education reform groups and think tanks, Title IV simplification can often be presented as a "silver bullet" in terms of helping students understand the consumer aspect of higher education finance. Unfortunately, the issue is much more complicated than streamlining (translation: eliminating) aid programs in the name of simplicity, and attempts to radically reform the aid system are fraught with unintended consequences. Fortunately, both the HELP Committee and the Education and the Workforce Committee appear determined to examine all of the details as the process continues.

The introduction of these bills is significant, but it is important to remember we are still in the very early stages of HEA reauthorization, and the legislation is far from complete. To borrow a baseball analogy, if the hearings of the previous year were batting practice and the ceremonial first-pitch, we are in the 2nd inning of HEA reauthorization.

Additional information on the Alexander-Bennet "FAST Act" is available online:
http://www.help.senate.gov/newsroom/press/release/?id=0b173481-41c0-4d78-ab29-76b7fdfed071&groups=Ranking

Warren Student Loan ReFi Bill Fails 60-Vote Threshold

On Wednesday, Sen. Elizabeth Warren's "Bank on Students Emergency Loan Refinancing Act," S. 2432, failed to receive the requisite 60 votes for cloture. Three Republicans—Sens. Bob Corker (R-TN), Susan Collins (R-ME), and Lisa Murkowski (R-AK)—did vote to proceed with the debate, but the bill ultimately failed 38-56.

The expansion of the generosity of PAYE, announced earlier that week (see related article), was to coincide with Senate Democrats' push for S. 2432. President Obama urged Congress to pass S.2432 and gave a preview of the Democrats' messaging effort in his address. Noting that he was departing from his prepared remarks, the President said

You would think that if somebody like me has done really well in part because the country has invested in them, that they wouldn't mind at least paying the same rate as a teacher or a nurse. There's not a good economic argument for it, that they should pay a lower rate. It's just clout, that's all. So it's bad enough that that's already happening. It would be scandalous if we allowed those kinds of tax loopholes for the very, very fortunate to survive while students are having trouble just getting started in their lives.

So you've got a pretty straightforward bill here. And this week, Congress will vote on that bill. And I want Americans to pay attention to see where their lawmakers' priorities lie here: lower tax bills for millionaires, or lower student loan bills for the middle class.

Given the rhetoric from Sen. Warren, President Obama, and others, the debate on the Floor was somewhat anticlimactic. Senator Warren and several Democrats criticized Republicans for not supporting the measure, but Republicans urged Majority Leader Harry Reid (D-NV) to quickly move through the "political stunt" and begin work on legislation to reform numerous processes at the Department of Veterans Affairs. Reid, of course, did not agree with that assessment, but the Senate did vote rather quickly on S. 2432.

After it failed, Senate Democrats vowed the issue was "not going away." Reports indicate they will again plan to bring refinance legislation to the Floor in September. Additionally, Senate Democrats believe this is a strong point for this year's campaign. After the vote failed, Warren sent an email blast to supporters that was very critical of Senate Minority Leader Mitch McConnell (R-KY) for his efforts to "block a 'fair shot' for students." She also announced plans to travel to Kentucky and campaign on behalf of Allison Grimes, McConnell's challenger.

Senator Lamar Alexander (R-TN) gave a Floor speech on the value of higher education and provided a thorough rebuttal of many of the points put forward by the President, Warren, and others in recent weeks. Alexander called the entire effort a "political stunt" that distracted from work on "real solutions" via the reauthorization of the Higher Education Act (HEA). Over-borrowing was identified by Alexander among the "real problems" with student debt. He offered the elimination of Grad PLUS as one of many potential solutions for this problem.

A video of remarks from Sen. Warren after the vote is available online: **http://goo.gl/M29a4r**
Sen. Alexander's remarks are available online: **http://goo.gl/63ZZKi**

LHHS Committee Markup Abruptly Postponed

The Senate Labor, Health and Human Services and Education (LHHS) appropriations bill was adopted by the Subcommittee on last week on a pure party line vote. Republicans objected to unidentified "gimmick" that masked the true spending included in the bill. The bill provides $156 billion for the three agencies funded through this bill, which translates, essentially, to level funding for education.

Subcommittee Chair Tom Harkin (D-IA) was selective about what Administration priorities received funding, rejecting requests for a new Race to the Top Equity competition, a new program, ConnectEDucators, to provide teacher professional development on using digital tools in the classroom, a new high school redesign initiative and several other smaller programs. Harkin did include a $100 million increase in funding for preschool grants. Overall the bill signaled that even Democrats are tiring of grant competitions at the expense of formula funding to states so those programs got very modest increases in a very tight fiscal year.

A full Committee mark-up set for Thursday was abruptly postponed, however, leaving the future of the bill in limbo. The Appropriations Committee has been relatively quiet on the reason for the postponement, but the amendments to be HELP Committee Ranking Member Lamar Alexander (R-TN) were likely a factor. Alexander planned to offer to prohibit the use of federal funds for two activities: 1) Developing the President's proposal to rate institutions of higher education; & 2) Providing incentives for the adoption of the Common Core, which is at the heart of President Obama and Secretary Duncan's Race to the Top Program.

Democrats would have likely been able to defeat these amendments, but as concerns over PIRS and Common Core do not fall down party lines, it could have been a risky proposition. LHHS Chairman Tom Harkin (D-IA) said he was hopeful the full Appropriations Committee would take up a bill after the July 4 recess, but the outlook for an LHHS bill remains questionable at this time.

Two More Hearings on Student Loans Next Week

The Senate will continue examining student loan issues next week. On Tuesday, the Senate Finance Committee will hold a hearing, "Less Student Debt from the Start: What Role Should the Tax System Play?**"** On Wednesday, the Senate Banking Committee will convene a hearing, "Dreams Deferred: Young Workers and Recent Graduates in the New Economy." These hearings will be the third and fourth Senate hearings on student debt issues in the past three weeks.

The witnesses for Tuesday's Finance Committee hearing are:

- **The Honorable Mark J. Mazur**, Assistant Secretary for Tax Policy, United States Department of the Treasury, Washington, DC
- **Ms. Jayne Caflin Fonash**, Director of School Counseling, Loudoun Academy of Science, Sterling, VA
- **Mr. Scott A. Hodge**, President, Tax Foundation, Washington, DC
- **Ms. Amber Lee**, Graduate, Willamette High School, Eugene, OR
- **Mr. Dean Zerbe**, National Managing Director, alliantgroup, Washington, DC

The current list of witnesses for Wednesday's Senate Banking hearing is listed below:

- **Ms. Emma Kallaway**
  Executive Director
  Oregon Student Association
- **Mr. Rory O'Sullivan**
  Deputy Director
  Young Invincibles
- **Dr. Heidi Shierholz**
  Economist
  Economic Policy Institute
- **Dr. Keith Hall**
  Senior Research Fellow
  Mercatus Center at George Mason University

Additional information on the Senate Finance Committee hearing is available online:
http://www.finance.senate.gov/hearings/hearing/?id=b4a20d10-5056-a032-5282-7f3f1aff09b4
Additional information on the Senate Banking Committee hearing is available online:
http://www.banking.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_id=974411d4-4fa8-4d96-9311-6348362408af

Warner, Thune Introduce Bill for Pre-Tax Student Loan Repay on Private Market ReFis

Senators Mark Warner (D-VA) and John Thune (R-SD) introduced the Employer Participation in Refinancing Act (S.2429). The bipartisan legislation allows the use of pre-tax dollars for student loan repayment, particularly refinanced loans.

According to announcement from Sen. Warren's office, "The Warner-Thune legislation would provide a new tool to help employers recruit and retain quality employees by allowing them to help qualified employees repay student loans with pre-tax dollars. Currently, the Employer Education Assistance Program allows employers to contribute pre-tax earnings to help employees finance continued education, but does not allow relief for individuals who already have incurred student loan debt in the course of their undergraduate or graduate careers."

Notably, to be eligible for this loan assistance program, employees with student loan debt must refinance their loans into the private market, which the announcement notes, "in some instances will allow the student to take advantage of lower interest rates available than what is currently offered by the federal government."

White House & Administration

President Announces Expansion of PAYE to All Borrowers

Last week, President Obama and Secretary Duncan announced a Presidential Memorandum to extend the generous terms of Pay as You Earn (PAYE) to remaining Direct Loan borrowers.

These new terms, which dropping income-driven payments to 10% and shortening the timeframe to forgiveness to 20 years, will be available to an estimated 5 million borrowers. Though not included in the memo, the President and Secretary discussed plans to renegotiate servicing contracts to provide further incentives to prevent borrowers from defaulting.

In making the announcement, the White House and the Department indicated these changes would take effect in December of 2015. White House officials later indicated the Department will engage in negotiated rulemaking to implement these changes.

The memorandum applies only to Direct Loans. FFELP Loans would continue to carry the original IBR benefit. It is unknown how many borrowers will actually seek this option, and many experts, such as Mark Kantrowitz of Edvisors, are skeptical that many will. The Administration also announced outreach initiatives on income-driven repayment through the tax providers Intuit and H&R Block.

In addition to remarks from President Obama, Secretary Duncan and other top advisors took to the airwaves to push for the expansion of PAYE. When asked about an estimated cost of at least $7 billion, Duncan said “we don’t actually know what the cost will be,” but assured the gathered reporters the government would “figure that out on the back end.”

When pressed on the legality of the President’s actions, Duncan said he “wasn’t a constitutional scholar,” continued to point to the Department’s previous efforts to expand PAYE, and said he was “happy to have people look at” the legality of the Department’s actions. The Secretary could not provide information on the number of borrowers enrolled in PAYE nor any metrics if the program was working.

Cecilia Munoz, Director of the White House’s Domestic Policy Council, took to MSNBC to promote the plan. When asked about cost, she also acknowledged the Administration didn’t know, but said the President’s budget showed income-driven plans actually save the government money because they decrease defaults. The budget indicates income-driven repayment plans are the only type of repayment plan that carry a cost. OMB estimates the expansion of IBR, even when accounting for proposed reforms for higher debt borrowers, would cost $7.5 billion.

Later in the interview, MSNBC’s Chuck Todd said it was obvious the cost of college was the underlying problem. Munoz cast the Administration’s efforts as “fighting on multiple fronts,” and suggested these moves are making all institutions of higher education closely examine “what kind of value they are providing for the money.”

Todd asked if the Obama Administration was heading toward a policy defined as: “You can’t get a student loan for some university because they’re charging too much. You’re not getting the best bang for your buck. So the federal government says ‘we’re not going to give a loan to go there, but we will give you a loan to, say, go to this category of schools.”

Munoz responded, “That is exactly the point of the President’s rating system.”

- The Presidential Memorandum is available online: **http://www.whitehouse.gov/the-press-office/2014/06/09/presidential-memorandum-federal-student-loan-repayments**
- President Obama’s remarks are available online: **http://www.whitehouse.gov/the-press-office/2014/06/09/remarks-president-opportunity-all-making-college-more-affordable**
- Duncan’s press briefing is available online:**http://www.c-span.org/video/?c4500304/secretary-duncan-student-loan-debt**
- Munoz’s interview on “The Daily Rundown” is available online: **http://on.msnbc.com/1oD2cdl**

Washington Post Interviews CFPB’s Chopra

In its “Wonkbook” blog, the *Washington Post* interviewed Private Student Loan Ombudsman Rohit Chopra as part of its coverage of Senate consideration of the Elizabeth Warren student loan refinancing bill. The following is one of the Q&As included in the interview:

You talk about this generation of student debt borrowers being different, but how does that affect their consumer choices? How are these debt levels affecting the overall economy?
We still need much more data, and that is a huge issue in the student loan market is a lack of transparency about really what is happening. (sic) But some of the statistics reveal that, unlike in the past, those with student debt tended to be higher income, and therefore more likely to have a mortgage. We’ve seen in recent years that that trend has reversed, that having student loan debt is no longer the marker of wealth, or expected wealth as it used to be. And instead it might actually be a barrier.

That brings us to Obama’s new student loan push, which also is aimed at changing the incentives for the servicing industry. How does one go about changing those incentives?
Servicing is a tricky business because their customer is not the borrower. The servicer's customer is the investor or the owner of the loans. So designing and aligning the incentives between the servicer and the borrower and the investor is very challenging. As it relates to loan modifications, many servicers complain that they just didn’t anticipate that there would be so much need for borrowers to enroll in these programs and may unwilling to invest resources in order to serve those borrowers. There's many different ways to compensate servicers, and I think we’ll see in the coming months how that plays out and whether that impacts total enrollment in these loan modification programs.

The full blog post and interview are available online:
http://www.washingtonpost.com/blogs/wonkblog/wp/2014/06/10/the-student-debt-domino-efonomy/

CFPB Provides Semi-Annual Report to Congress

Richard Cordray delivered his fifth semi-annual report to Congress. The following is an excerpt from Cordray’s testimony before the Senate Banking Committee:

Through fair rules, consistent oversight, appropriate enforcement of the law, and broad-based consumer engagement, the Bureau is helping to restore American families’ trust in consumer financial markets, to protect American consumers from improper conduct, and to ensure access to fair, competitive, and transparent markets.

Through our enforcement actions to date, we have aided in efforts to refund more than $3.8 billion to consumers who fell victim to various violations of consumer financial protection laws. We have also fined wrongdoers more than $141 million, all of which has gone into our Civil Penalty Fund and can be used to compensate wronged consumers and, to the extent compensating consumers is not practicable, to pay for consumer education and financial literacy programs.

In the fall of 2013, for the first time, we took action, in conjunction with multiple state Attorneys General, against an online loan servicer for illegally collecting money that consumers did not owe. We took action against a payday lender for overcharging servicemembers in violation of the Military Lending Act, and robo-signing court documents. We took action against an auto lender for discriminatory loan pricing. And we partnered with 49 states in bringing an action against the nation's largest nonbank mortgage loan servicer for misconduct at every stage of the mortgage servicing process.

CFPB supervisory work contributed to a recent enforcement action resulting in a refund of approximately $727 million to 1.9 million consumers for illegal practices related to credit card add-on products. In addition to this public enforcement action, recent nonpublic supervisory actions and self-reported violations have resulted in more than $70 million in remediation for over 775,000 consumers.

Cordray's full testimony is available online:
http://www.banking.senate.gov/public/index.cfm?FuseAction=Hearings.Testimony&Hearing_ID=6ef4e74a-2eee-4b69-a978-9e821fd3c599&Witness_ID=11222b90-b019-4b87-b76c-b95bd5956e49

TIVAS Contracts Extended

This week, the Department of Education announced it had extended the contracts of the four primary Title IV servicers (TIVAS). The contracts are extended for a five-year term with annual reviews.

The move comes after consumer advocates and even teachers unions sent a petition to Secretary of Education Arne Duncan urging the Department to dissolve its relationship with Navient (formerly Sallie Mae) in the wake of its settlement with the government on the Servicemembers Civil Relief Act (SCRA) and other consumer issues. However, ED officials told the Wall Street Journal it would be "irresponsible to cause interruptions for borrowers" while the Department reviews company performance. Navient has responded that its borrowers default the least of any of the Title IV servicers.

Industry

NASFAA and NDSLC Create Servicing Task Force

The National Association of Student Financial Aid Administrators (NASFAA) is joining with the National Direct Student Loan Coalition (NDSLC) to create a joint Task Force on student loan servicing issues.

The Task Force will focus on understanding current servicing practices and making recommendations to the Department of Education's Office of Federal Student Aid—and loan servicers—on how to improve the process for student borrowers. The work will primarily focus on improving the servicing contracts and individual servicer practices within those contracts.

"Over the last several years, financial aid administrators have voiced concern about disruptions, inconsistencies, and lack of quality servicing on federal student loans," said NASFAA President Justin Draeger. "However, it has been difficult to fully grasp the extent to which servicing problems exist, how widespread they might be, and how servicing practices may differ between various providers. This task force aims to more closely examine and report on these challenges."

The task force will serve in an ongoing advisory capacity to NASFAA and the NDSLC. In addition, two specific outcomes expected in early 2015 include:

- A disclosure report that clearly shows different operational practices between various servicers
- A report to be delivered to the Department of Education and other relevant agencies containing recommendations for improving federal student loan servicing, clearly indicating (1) areas of deficiency in loan servicing, (2) the extent of those deficiencies, and (3) proposed solutions.

Task Force Members are as follows:

- Peg Julius (co-chair for NDSLC), Kirkwood Community College
- Tami Sato (co-chair for NASFAA), Marshall B. Ketchum University
- Jodi Gerber, University of California, Merced
- Anna Griswold, Pennsylvania State University
- Roberta Johnson, Iowa State University
- Elena Oliver, San Jacinto College
- Margaret Rodriquez, University of Michigan
- Tom Sakos, DeVry Education Group
- Linda Shewack, Columbia University
- Brent Shock, Miami University

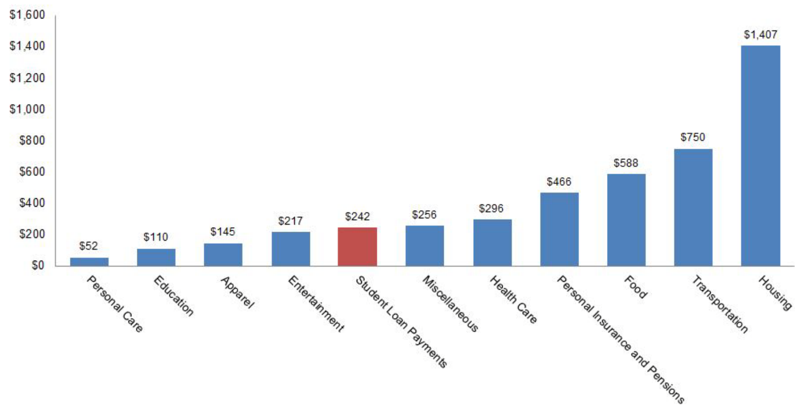
Brookings Takes a Closer Look at Numbers Behind Student Loan Repayment "Crisis"

In response to countless media reports, not to mention numerous speeches from politicians, on borrowers facing "crushing" student debt burdens, Beth Akers of the Brookings Institution provided a deep dive into Federal Reserve data and found the numbers paint a much less scary picture. In a blog post for Brookings' Brown Center on Education Policy, Akers writes:

The average balance of outstanding student loan debt for households with some debt was $25,700. The median debt was $13,000, and seventy-five percent of borrowers had less than $29,000. These burdens are relatively modest given the annual earnings of these households. The average annual wage earnings among this population was $71,700. The average debt would not impose an unreasonable burden on households with the average level of income, but since households with average debt don't necessarily face average earnings, a more nuanced measure of well-being can be useful.

The ratio of monthly payments to monthly income can be used as an indicator of transient burden imposed by student loan repayment. In this population, the median household devoted four percent of their monthly earnings to loan repayment. Seventy-five percent of households devoted less than seven percent of monthly earnings tio student loan repayment. This amounts to an average monthly payment on student loans of $242. Seventy-five percent of households made payments of less than $300 each month and 50 percent of households made payments of less than $160. For these households, payments on student loan debt took up a relatively small share of earnings.

Noting the importance of comparing student debt payments to other household expenses, Akers examined the Bureau of Labor Statistics' 2012 Consumer Expenditure Survey and produced the following graph:



Source: Author's Calculations with 2010 Survey of Consumer Finance and 2012 Consumer Expenditure Survey

The post offers the following conclusion:

It is not a surprise to see that monthly student loan payments make up a modest fraction of the household budget for most borrowers, but with the proliferation of articles detailing the plight of distressed borrowers, it's easy to forget what the circumstances of average borrowers are like. One reason to emphasize this point is that many recent policy proposals have made the implicit assumption that the dire circumstances are widespread among borrowers. For instance, Senator Warren's proposal to refinance all outstanding student loan debt would have delivered benefits to households without much regard for demonstrated need. As policy makers think about designing programs to help the minority of borrowers facing dire circumstances, they should recognize that identifying borrowers in need of assistance will be an important part of the solution.

The full blog post is available online: http://www.brookings.edu/blogs/brown-center-chalkboard/posts/2014/06/19-typical-student-loan-debt-akers

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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