

FEDERAL UPDATE CAASLAR

Karen Reddick
Vice President - Business Development
National Credit Management
COEHAO Board of Directors
kreddick@ncmstl.com



AGENDA

- **COHEAO**
- **ELECTION UPDATE**
- **BUDGET**
- **GRASSROOTS**
- **REGULATORY UPDATES**
- **CONSUMER FINANCIAL PROTECTION BUREAU**
- **TCPA**
- **PROGRAM INTEGRITY AND GAINFUL EMPLOYMENT**



COHEAO Announcements

- 👉 **NEW MEMBERS WANTED NOW!**
- **Tell your Friends and Colleagues to join. Now is a great time to join or re-join.**
 - **Institutional Dues: Only \$190-\$545 per year**
- **COHEAO working hard on the Perkins Loan Program and other issues: accounts receivable management, financial literacy, institutional loans, (private loans).**
- **Discounts for All Conferences!**
 - **Mid-Year Conference, St. Louis, July 30-Aug 2**
 - **Teleconferences monthly**



Election 2010: House



Speaker John Boehner
R-OH

Republicans' Huge Victory

- Take 63 seats, majority
- 54 Democratic incumbents defeated; 4 Republican incumbents
- 89 new representatives, 80 Republican, 9 Democrat
- New Leaders, Chairs



112th Congress: Senate

- **Republicans gain seats, but Democrats retain majority, now 53-47**
 - **2 Independents who vote like Democrats**
- **Shutting off debate takes 60 votes, so bipartisanship needed.**
- **So far, moving very slowly**



Senate Majority Leader
Harry Reid



The 112th Congress

House

- 241 Republicans
- 192 Democrats
 - 2 Vacancies (one quit due to sex scandal, one received administration job)

Before:

- 256 Democrats
- 179 Republicans

Senate*

- 53 Democrats
- 47 Republicans

Before:

- 59 Democrats
- 41 Republicans

* Dems include two independents who vote with D's



Tough Day But Still President



Divided Government: Who Will Decide What to Do?



House Committee Name Change

Education and “Labor”
= Education and “the Workforce”



Rep. John Kline (R-MN), the new Chairman of the House Committee on Education and the Workforce



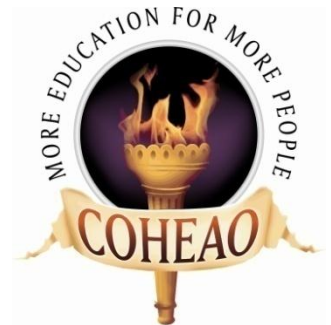
More Committee Leaders

- Rep. Virginia Foxx (R-NC) chairs E&W Subcommittee on Postsecondary Education.
- Rep. George Miller (CA), full Committee ranking Democrat
- Ranking Subcom. Dem. Ruben Hinojosa (TX)



House Appropriations

- **New Chairman is Harold Rodgers (R-KY)**
- **Ranking Democrat: Norm Dicks (WA)**
 - **Longtime Dem. leader Obey retired after 42 years**
- **Labor-HHS-Education Subcommittee Chair: Dennis Rehberg (R-MT)**
- **Ranking Democrat: Rosa DeLauro (CT)**
- **New Mission: CUT CUT CUT!**
 - **\$100 billion from FY2011**



Senate Committees

- **Tom Harkin (D-IA) remains chair of HELP and of Appropriations Subcommittee on Labor, HHS, Education**



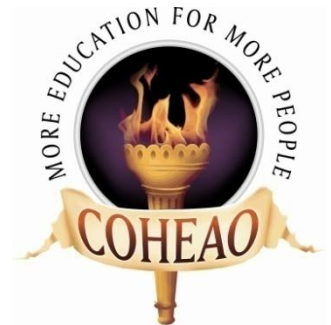
Senate Committees

- **Mike Enzi (WY) stays ranking Republican on HELP.**
 - **No Higher Ed Subcommittee on HELP**
- **Richard Shelby (R-AL) ranking on Labor-HHS-Ed Subcommittee**
- **Dan Inouye (D-HI) Chairs Approps;**
- **Thad Cochran (MS), ranking Repub.**



Some Key Friends of Perkins

- **Rep. Tim Bishop (D-NY): won barely**
 - Last House election decided by absentees
- **Rep. Cathy McMorris-Rodgers (R-WA): won, elected to Repub. leadership**
 - But moves to Energy and Commerce Committee from Education and Workforce
- **Rep. John Spratt (D-SC): Defeated**
- **Rep. George Miller (D-CA): won**
 - Will be ranking Democrat on E&W
- **Rep. Jaime Herrera-Beutler (R-WA): former McMorris-Rodgers staff, won seat**



Who Governs?!?:

- Three months in, still sparring
- Republicans control House, but President Obama is still President and still a Democrat
- Democrats “control” Senate, but Republicans can “veto” everything
- So something like the 1990s?
 - Compromises -- Surpluses, peace 😊
 - Game of chicken on budget, debt limit increase 😞
 - 2012 Presidential campaign has started



Appropriations FY 2011

- **Fiscal Year 2011 began Oct. 1, 2010.**
Continuing resolutions passed funding government at 2010 levels, latest through April 8th
- **Budget Pass at 11th on April 8th**
- **CR Bill HR 1473**
 - **Full Text:**
<http://rules.house.gov/Media/file/PDF1121/FloorText/FINAL2011xml.pdf>
 - **Program List:**
<http://www.appropriations.house.gov/files/41211Finalprogramcuts.pdf>



Appropriations FY 2011

- Perkins Loans are not affected
- Pell Grant award is maintained at \$5,550
- Year round Pell is permanently eliminated
- No funding for civil legal defense attorneys loan repayment
- No funds for Robert C. Byrd Honors Program
- Funds rescinded for Academic Competitiveness Grant Program
- No funding for LEAP
- FEOG cut by \$20 Million
- TRIO cut by \$25 Million
- GEAR Up cut by \$25 Million



Pell Entitlement: Promise not kept

- **NOT an entitlement: like today, grants get partial automatic (“mandatory”) funding. Most funds need annual appropriation.**
- **NOT big increases from SAFRA:**
 - **AY2010 appropriated maximum is \$4,860, of which \$500 was funded by the ARRA, the 2009 stimulus bill.**
 - **Stimulus money is gone, making it hard to maintain the base.**
 - **Full maximum is \$5,550, with mandatory funds from previous laws making up the difference.**
- **Annual increases to maximum are in mandatory part.**
 - **Increases only happen IF each year Congress appropriates enough for the \$4,860 max.**
 - **Mandatory funding flat after 2018-2019.**



Pell Grant Problem: Affects Other Programs

- H.R. 1 (House-passed CR) reduced total appropriated to \$4,015, cut max to \$4,705: Would eliminate Mandatory funding
 - H.R. 1 failed to pass Senate, so did Democrats' alternative

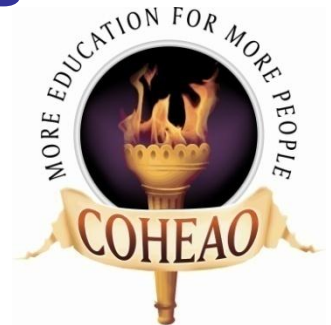
Dramatic increase in Pell costs and participation

- FY 2006-7 Pell = \$13.6 billion
- FY 2011-12 Pell = \$36.6 billion (estimated)
- 2008-9 estimated 6.2 million recipients
- 2011-12 9.4 million recipients
- Anticipated \$20 billion Pell shortfall for this year
- What does it mean? Very difficult to get funding restored for Perkins Loans if Pell Grants face cuts. Other programs will suffer also – SEOG, FWS, LEAP, even K-12 programs



President's 2012 Budget

- Eliminate Current Perkins Loan Program
- Create New “Perkins” Loan Program with little resemblance to current (sound familiar?)
- Eliminate year-round Pell Grant
- Use IRS date to pre-populate FASFA
- Eliminate the in-school interest subsidy for graduate and professional students
- Allow students to convert outstanding FFEL loans to DL if some loans held by ED



Congress on Perkins in HEOA of 2008: Keep it

**HEOA SEC. 466: “SENSE OF CONGRESS REGARDING
FEDERAL PERKINS LOANS.**

It is the sense of Congress that the Federal Perkins Loan Program, which provides low-interest loans to help needy students finance the costs of postsecondary education, is an important part of Federal student aid, and should remain a campus-based aid program at colleges and universities.”



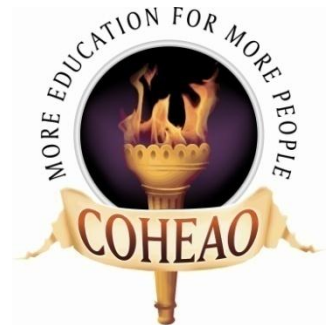
Direct Perkins Loan Proposal

- **This is a less-generous replay of 2009 and 2010 proposals, which were rejected by Congress**
 - **Justification: supposed to replace private loans**
 - **“Savings” (profits from loans) used to help fund Pell Grants**
- **Administration “New Perkins” program = modified Unsubsidized Direct Stafford Program**
- **Funding: \$8.5 billion a year available – more schools involved**
 - **Treasury borrows money and assigns to schools to lend based on school requests**
 - **Allocation process not specified this time**
- **Federal share of current loans sent to ED**



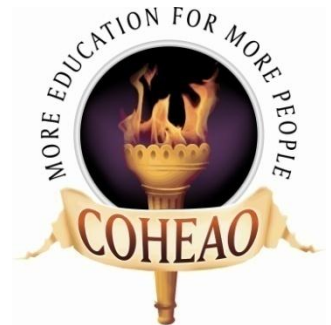
New Perkins – Major Flaws

- Interest rate hiked from 5% to 6.8%
- In-School Interest Benefit dropped
- Grace period cut from 9 to 6 months
- Added: 1% loan origination fee
- Available only to full time students
- Total cost for a \$22,000 loan (10 yr. repayment) from \$28,000 to \$38,730
- All new loan servicing transferred to national DL contractors
- Cancellation benefits like Direct Stafford:
 - 10 years of repayment to get any benefit



Perkins Today: More Time

- **Perkins – ED released Dear Colleague announcing Perkins is authorized through September 30, 2014. (Confirms the automatic one-year extension authorizing the program through September 30, 2015).**
- **President’s budget: just a proposal**
- **Need your help to explain the value of Perkins**
- **No new funds likely for 2011**
 - **Restore Appropriations for Loan Cancellations:
Total owed = \$185 million**
 - **Restore Appropriations for FCC:
Authorized level = \$300 million per year**



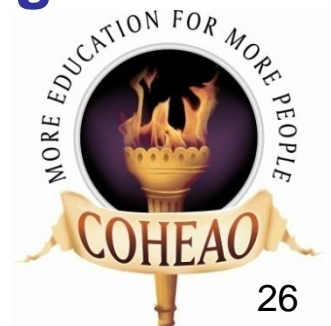
Perkins Alternative Ideas

- **COHEAO has been working on alternatives for the long term for Perkins**
- **Funding must be recognized as federal**
 - **Gimmick of scoring “savings” from “returning” federal funds must be dropped**
 - **Federal allocation of funds to campus Perkins Loan accounts**
 - **Campus management: awards, billing, collection**
 - **Student benefits, probably less generous**
 - **Interest rate?**
 - **Cancellations?**
 - **In-school interest?**



COHEAO Actions

- **COHEAO fought vigorously in 2009 and 2010 to retain benefits of the traditional Perkins Program while supporting its expansion and continuation.**
- **Sometimes at odds with others in the Higher Ed Community, sometimes worked together.**
- **Grassroots actions led by Board of Directors:**
 - **Numerous conference calls arranged with Senate offices and home-state colleges and commercial members**
 - **Dozens of in-person meetings**
- **An example of grassroots action overcoming the odds**
- **Perkins Program is supported by many in Washington: Where There's a Will There's a Way**



Grass Roots Efforts

- We must work to fund and extend the Perkins Loan Program
- COHEAO is working on new ideas to preserve the program
- Support Appropriations
- Support Perkins Loan Program
- See www.coheao.org for details
- Stay in touch with your congressional representatives



Regulatory Update

- **COHORT Default Rates Released**
 - **FFEL 2008 rate 7.7% up from 7.2%**
 - **Direct 2008 rate 4.6% down from 4.8%**
 - **Perkins 2009 rate 10.04% up from 5.5%**
 - <http://ifap.ed.gov/perkinscdrguide/0809PerkinsCDR.html>



Regulatory Update

➤ CDR Ineligibility Provision

- Department will begin enforcing CFR 674.54(a)(2) which renders schools with a CDR of over 50% for past three years ineligible to participate in the Perkins Loan Program
- Department will make individual contact with affected schools



Regulatory Update

- **Dear Colleague Letter CB-10-01 or GEN-10-17**
- **Approval of Military Service Deferment/Post Active Duty Student Deferment Request Form**
- **Form approved through 7/31/13**



Regulatory Update

- **Dear Colleague Letter CB-11-02**
 - **Status of the Federal Perkins Loan Program**
 - **Clarifies that Perkins is authorized until 9/30/14**
 - **One year extension until 9/30/15**
 - **Over rules the 10/1/12 Sunset Rule**



Regulatory Update

- **Dear Colleague Letter GEN-11-05**
 - **Implementation of Program Integrity Regulations**
 - **Guidance on three areas of the final regs published on 10/29/10**
 - **State Authorization**
 - **Incentive Compensation**
 - **Misrepresentation**



Regulatory Update

- **Dear Colleague Letter GEN-11-09**
 - **Guidance on helping students enrolled in Study-abroad Programs in Japan**
 - **Refers to DCL GEN-10-16**
 - **Contact Institution Participation Team Dept will review and assist**



Regulatory Update

- **Sub-regulatory guidance**
 - **June 10, 2010 E-Announcement on Liquidation from Perkins Loan Program**
 - **October 8, 2010 E-Announcement on Total & Permanent Disability Discharge Processing**
 - <http://www.disabilitydischarge.com>
 - **Service Center for Schools with questions related to the disability discharge process call 888-303-7818**



On-Going Issues

- **CFPB: new consumer cop coming**
- **TCPA: calling cell phones**
- **For-profit colleges facing Congressional scrutiny: the BIG focus right now**
 - **Gainful Employment Reg Controversy**
- **Host of “program integrity” regs take effect on July 1, 2011**
- **Federal student loan defaults: going to three-year cohort, defaults already rising**
- **Private loans growing again;**
 - **Institutional loan programs changing**



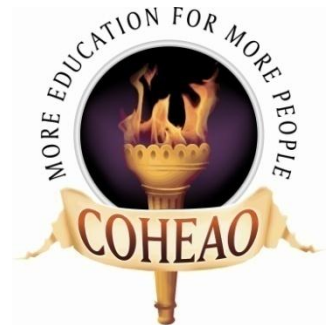
Consumer Financial Protection Bureau

- Created by Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
- Independent bureau within Federal Reserve System, run by Director who is Presidential Appointee, confirmed by Senate.
- Authority to issue rules for all financial institutions, including rules under Truth in Lending Act, Fair Debt Collection Practices Act, Equal Credit Opportunity and Real Estate Settlement Procedures Act.



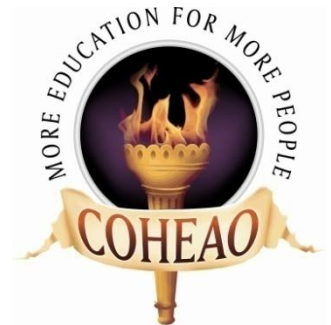
Consumer Financial Protection Bureau

- Huge process: Combining offices, hiring 1,000 federal employees
- Transfer of responsibilities from existing regulators to bureau: July 21, 2011
- Many of employees will come from other agencies – Fed, FDIC, FTC, OTS, NCUA, HUD, Comptroller, Treasury in general
 - Fed will have 50 rulemakings, sets of formal guidelines to produce
 - 250 projects associated with D-F at Fed



Consumer Financial Protection Bureau

- **Bureau Authority**
 - **Rulemaking – Perhaps the most significant authority of the Bureau**
 - **Supervisory**
 - **Enforcement**



Consumer Financial Protection Bureau

- **Alphabet Soup**
 - **FCBA - The Fair Credit Billing Act**
 - **AMTPA - The Alternative Mortgage Transaction Parity Act**
 - **HOPA - The Home Owner Protection Act**
 - **HMDA - The Home Mortgage Disclosure Act**
 - **HOEPA - The Home Owners Equity Protection Act**
 - **TILA - Truth and Lending**
 - **FTC - The Fair Trade Commission**
 - **FCRA (Fair Credit Reporting Act)**
 - **GLBA (Gramm Leach Bliley Act)**
 - **Red Flag Rules**



Bureau Current Leadership



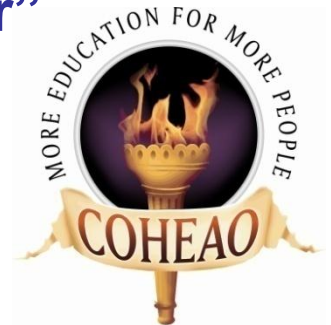
- Elizabeth Warren, former Harvard professor, who advised President Obama, Instead picked to organize BCFP.
- Emphasizing oversight of non-banks
- Warren: “When the costs of student lending are clearer, then the pressure on universities to control increases in tuition will be more intense,” - *DailyNorthwestern.com*

- Regarding bankruptcy discharge: "Why should students who are trying to finance an education be treated more harshly than someone who negligently ran over a child or someone who racked up tens of thousands of dollars gambling?" -- *The Northern Iowan*



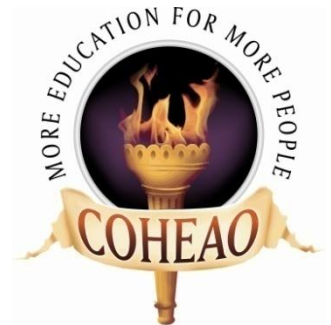
TCPA: “Harmonizing” Sounds Like This?

- **FCC seeking to harmonize Telephone Consumer Protection Act (TCPA) regs with FTC Telemarketing Sales Rule**
 - **Good idea, but proposal affects non-telemarketing calls**
- **Use of auto-dialers, cell phones, and obtaining consent from consumer the key issues here**
- **Proposal calls for “express written consent” not only from new consumers (students), but also EXISTING CUSTOMERS for use of pre-recorded calls on cell phones**
- **Definition of “auto-dialer” vs. “predictive-dialer” also concern**



TCPA: What's Next

- Proposal could be finalized by this year, could also just “go away”
 - Effort to educate and alert Congress to issue
 - Key Members of Congress (House Energy and Commerce Chairman Fred Upton R-MI) engaged.
 - COHEAO working with broad coalition of affected industries (airlines, insurance companies, student lenders, etc.) Seeking to participate in FTC Public Workshop on new technologies, April 28 in Washington
 - If auto-dialer regulations are a concern, please contact me.



ED Program Integrity Rules: 7/1/11

- **Incentive Compensation** – removes all “safe harbor” provisions
- **Credit Hour** - provides a federal definition of “credit hour.”
 - **Accreditors must enforce**
- **State authorization** – expands state role in authorizing institutions
 - **Distance Education** – requires institutions to be licensed to operate in every state in which any student lives



Gainful Employment in a Recognized Occupation

- Old law gets big new definition
- Gainful Employment – links the price charged at an institution to its graduates' salary, loan repayment rate
- Applies to certificate and non-degree programs at all institutions, to all except liberal arts degree programs at for-profits
- Lots more reporting requirements
- Final regulations coming soon?
 - Some in Congress trying to stop



What's Next?

- **We must work to support the continuation of the Perkins Loan program and to fund it**
 - **Continue to educate policymakers on the student benefits of Perkins, especially campus-based servicing**
- **COHEAO will also be working on the many other issues affecting members**
 - **A/R issues: privacy, tax reporting, FDCPA, TILA, TCPA, institutional loans**
 - **HHS Loan Programs: New leadership**



What You Can Do

- **Weigh in: support the Perkins Program**
 - **Message: cost effective financing for students and taxpayers over the long term; don't squander it for short-term goals, even Pell Grants.**
- **Information on COHEAO activities, including position papers, available at www.coheao.org.**
- **Stay In Touch with your Congressional Representatives**
- **Help educate Congress—share your stories**

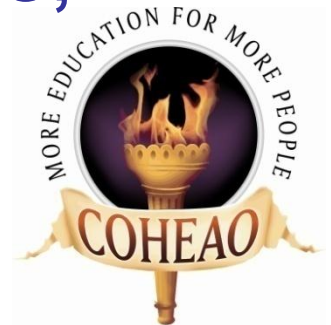


COHEAO: For the Future

**Join COHEAO!
We would love to
have you!**



- **Contact Wes Huffman: whuffman@wpllc.net, or Harrison Wadsworth: hwadsworth@wpllc.net for more information.**
- **Attend the Mid-Year Conference in St. Louis! July 31- August 2, 2011**
 - Register at www.coheao.org
- **Annual Conference at Washington, DC, January 2012**



A Rainbow in the Future: Why Not?



