

Spring 2011 Federal Perkins Loan Update



Agenda

- COHEAO
- Election Update
- Budget
- Grassroots
- Regulatory Update
- TCPA, Program Integrity & Gainful Employment
- Consumer Financial Protection Bureau

COHEAO Announcements

- 📣 NEW MEMBERS WANTED!
- Tell your Friends and Colleagues to join. Membership is needed now more than ever.
- 1. Perkins is not dead; much remains to do.
- 2. COHEAO also working on other issues: accounts receivable management, financial literacy, institutional loans (private loans.)
- Discounts for Teleconferences, Webinars, Annual, Mid-Year Conferences
- Mid-Year Conference: July 31 – Aug 2, 2011
 - St. Louis, MO

Election 2010: House

- Republicans' Huge Victory
 - Take 63 seats, now have the majority
 - 54 Democratic incumbents defeated;
 - 4 Republican incumbents
- 89 new representatives, 80 Rep & 9 Dem
- All new Leaders and Chairs
 - Rep. John Boehner (R-OH) is new Speaker of the House.
 - Rep. Nancy Pelosi (D-CA) is Minority Leader

Election 2010: Senate

- Republicans gain seats, but Democrats retain majority
 - Now 53 Democrats & 47 Republicans
 - 2 Independents who vote like Democrats
- Shutting off debate takes 60 votes, so bipartisanship needed.
- Very slow moving in the Senate

112th Congress Overview

- | House | Senate* |
|---|---|
| ➤ 241 Republicans | ➤ 53 Democrats |
| ➤ 192 Democrats | ➤ 47 Republicans |
| <small>• 2 Vacancies (one quit due to sex scandal, one received administration job)</small> | Before: |
| Before: | ➤ 59 Democrats |
| ➤ 256 Democrats | ➤ 41 Republicans |
| ➤ 179 Republicans | * Dems include two independents who vote with D's |

House Committee Name Change

- Education and “Labor” = Education and “the Workforce”
 - Rep. Johns Kline (R-MN) is now the new Chairman of the committee
 - Rep George Miller (D-CA) minority leader of Education and the Workforce Committee.

Other Committee Leaders

- Rep. Virginia Foxx (R-NC) Chair of the E&W subcommittee on Higher Education and Workforce Training.
 - Ranking Minority Leader is Rep. Ruben Hinojosa (D-TX)
- Currently no Kansas Reps. on the Committee

House Appropriations

- Rep. Harold Rogers (R-KY) is the new Chairman
 - Rep. Norm Dicks (D-WA) is the minority leader.
 - Longtime Dem leader Obey retired after 42 years.
- Rep. Kevin Yoder (R-KS) on full Committee
- Rep. Dennis Rehberg (R-MT) is the Chair of the Labor-Ed-HHS subcommittee
 - Rep. Rosa DeLauro (D-CT) is the Minority Leader

Senate Committees - HELP

- Health Education Labor and Pension (HELP)
- Sen. Tom Harkin (D-IA) remains chair of HELP
 - Sen. Mike Enzi (R-WY) Minority Leader on HELP
- Sen. Pat Roberts (R-KS) serves on committee
- There is no Education subcommittee

Senate Committees - Appropriations

- Sen. Daniel Inouye (D-HI) is the Chair of the Senate Appropriations
 - Sen. Thad Cochran (R-MS) is the Minority Leader
- Sen. Tom Harkin (D-IA) is the Chair of the sub com on Labor, HHS, Education, & Related Agencies
 - Sen. Richard Shelby (R-AL) is Minority Leader

Senate Committees - Appropriations

- Sen. Jerry Moran (R-KS) serves on Labor, HHS & Education subcommittee

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

FY 2011 Appropriations

- Boehner pledged \$100 billion cut from FY2011 spending
 - \$51 million cut so far from Obama request
 - Ultimately cut 20 billion from final FY11
- New rules: all spending must be offset,
 - “Cut Go” instead of “Pay Go”
 - no offsets needed for tax cuts;
- Earmarks banned

FY 2011 Appropriations

- FY 2011 started on 10/1/10 and budget passed Congress on 4/14/11
 - CR Bill H.R. 1473
 - Pell Grant awards maintained at \$5,550
 - Eliminated year round Pell
 - Robert C Byrd Honor Program not awarded

FY 2011 Appropriations

- Funds previously appropriated for the Academic Competitiveness Grant Program that were not used are rescinded -- \$560 million is left.
- The LEAP Program gets no funding. The program is not eliminated, simply not funded for FY2011.
- Federal Supplemental Education Opportunity Grants are cut a little, by \$20 million
- Trio Programs are cut a little, by \$25 million
- GEAR UP is cut a little, by \$20 million

FY 2011 Appropriations

- FY 2011 started 10/1/10 still no budget passed.
 - Several continuing resolutions at 2010 levels
 - Most recent CR ends 4/8/11
- Pell Grant Shortfall Funded in 2 parts,
 - \$13.5 billion in SAFRA;
 - \$5.7 billion in December CR, a figure now in doubt

FY 2011 Appropriations

- The CR passed both Houses on March 4th contained \$4 billion worth of cuts
 - LEAP program eliminated
 - Specific earmarks eliminated, including funding for programs like National Writing Project, Civic Education
 - Department of Education running at FY 2010 levels
- March 18 CR: cuts another \$6 billion none to Education

Pell Grant Problem

- Pell Grant is not an entitlement
 - Receives part mandatory funding
 - Most funds must be appropriated
- Annual increases in the mandatory portion
 - Increases happen IF congress appropriates enough
- Anticipated 20 million \$ Pell shortfall this year.
- Difficult to get Perkins funds when Pell faces cuts

Obama ED Budget for 2012

- A Repeat of the 2010 & 2011 budget for the most part.
- Financial Aid Changes:
- Eliminate Federal Perkins Loan Program
 - Create "new" Federal Direct Perkins Program
 - Eliminate year round Pell
 - Use IRS data to populate FAFSA
 - Eliminate interest subsidy for Grad and Prof students
 - Allow students to convert FFEL to Direct loans if some held by ED

Direct Perkins Loan Proposal

- New Perkins program = new Unsub Direct Stafford Program
- Receive 8.6 billion a year – if more schools participate
 - ED would assign money to schools for them to lend.
- 6.8% interest would accrue while in school and grace

Direct Perkins Loan Proposal

- Other terms and conditions would be same as unsubsidized Direct
 - Loss of cancellations
 - 9 month grace reduced to 6 months
 - 1% origination fee
 - Full time students only
- Cancellation benefits like Direct
 - 10 year repayment before you get anything
- Fully originated and administrated by the Dept of ED/DL contractor

Grassroots 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
- 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 §674.5(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 though 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
 - And would receive automatic one year extension until 9/30/15
- ☺ Eliminates the worry of the “10/1/12 Sunset Date” issue.

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

888-303-7818

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-11-11
 - State Authorization under the Program Integrity Regulations
 - Clarification of Enforcement
 - Development of a Comprehensive Directory
 - Supporting State Coordination

Program Integrity Rules

- Credit Hour – provides a federal definition of “credit hour”
 - Accreditors must enforce
- Incentive compensation – removes all safe harbor provisions
- State authorization – expands state role in authorizing institutions
 - Distance Ed – requires school to be licensed in every state their borrower’s live.

Gainful Employment

- 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

Telephone Consumer Protection Act

- FCC is seeking to harmonize TCPA regs with FTC Telemarketing Sales Rule
 - Good idea, but proposal affects non-telemarketing calls
- Use of autodialers, cell phones, and obtaining consent from consumer the key issues here
 - The 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 “autodialer” vs. “predictive-dialer” also concern

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

- 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*

Questions?

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