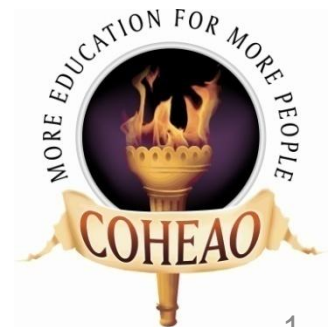


Federal Update and the Status of the Federal Perkins Student Loan Program

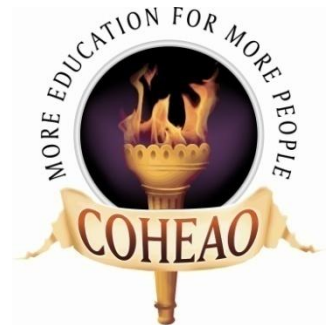
By: Karen Reddick, VP Business
Development

National Credit Management



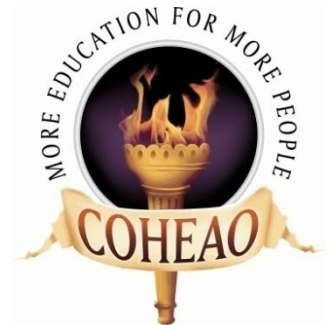
Agenda

- COHEAO's Priorities
- HEA Progress
- 2016 Budget
- President Proposals
- Recent Legislation
- Regulatory Activity
- IFAP Guidance and Announcements
- Perkins Program
- COHEAO's Proposal
- Advocacy Efforts



COHEAO Priorities

- Preserve and Improve Perkins in Higher Education Act Reauthorization
- Restore funding for Perkins loan cancellations
- Work on improvements to Telephone Consumer Protection Act regulations and enforcement
- Work with CFPB on various campus-related issues and collections topics
- Respond to ED and CFPB on cash management rules
- Deal with Perkins recall issues as they



COHEAO and Reauthorization

- A Congressional Theme is “Simplification”
 - One grant, one loan
 - Repayment options narrowed to two or three
 - FAFSA shortened
- COHEAO Says to Add: One Campus-Based (Campus Flex)
 - Allocation formulas are big question
 - Base guaranty
 - NASFAA proposal
 - Harkin bill from 2014



HEA Reauthorization



Higher Education Act Reauthorization

- Hearings continue in House and Senate
- Efforts under way for writing legislation in both chambers
- COHEAO submitted its Campus Flex proposal, interest shown in it
- Final action may not happen before October 1, 2015
- •Big Issue: does the Perkins Program “sunset?”



Bi-Partisan Theme

- Campus prices
- Student loan costs
- Income based repayment changes
- Refinancing of existing student loans
- Servicing problems with Direct loans
- Special attention to Service members civil relief act
- Aid programs too complicated
- Aid application (FAFSA) too complex
- For-profit schools – attack or support?

Current Bills

The First Three: Passed House almost unanimously

- H.R. 4984, Empowering Students through Enhanced Financial Counseling Act
- The Advancing Competency-Based Education Demonstration Project Act (H.R. 3136)
- H.R. 4983, Strengthening Transparency in Higher Education Act

HEA Reauthorization

Senator Alexander – Chair of the Senate Committee on Health, Education, Labor & Pensions (HELP)

Financial Aid Simplification and Transparency (FAST) Act

- One Grant – One Loan – One Work
- Eliminates Federal Perkins Loan Program and FSEOG
- Elimination of Subsidized Loans; elimination of Grad PLUS
- Undergrad limits to \$8K/yr; \$37,500/total
- Reduces FAFSA to two or three questions
- Published a White Paper on Risk Sharing
 - COHEAO, NASFA, and ACE all responding with suggesting that Perkins is a model for risk sharing

Congressman Kline – Chair of House Education & The Workforce Committee

Congresswoman Foxx - Chair of the Subcommittee on Higher Education & Workforce Training

Have not introduced a comprehensive bill - major themes include:

- Empower families and students to make informed decisions – access to information
- Simplify and improve student aid – clear picture of financial aid in a timely manner
- Promote innovation, access and completion – programs to keep students in school
- Increased accountability and limited federal role – reduce regulations, lower tuition



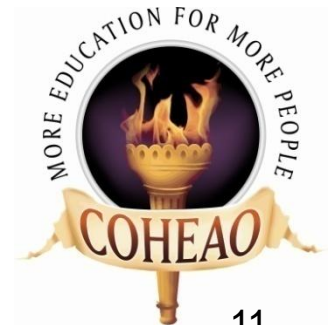
Other Bills Introduced Last Year

- Burr-King bill (The Repay Act):
 - Simplifies repayment plans to IBR and a standard 10-year plan
 - Repayment simplification also broadly popular
 - Forgiveness at 25 years for up to \$57,500, current maximum cap for undergraduate borrowers.
- Protect Student Borrowers Act (S. 1873) by Sen. Jack Reed (D-RI)
 - Requires default risk sharing by schools
- Student Loan Borrower Bill of Rights by Sen. Dick Durbin (D-IL)
 - Focus on private loan origination and servicing
 - Sets new loan disclosure requirements, sets order of payments, more info and benefits for service members and vets, school certification.
- Dynamic Repayment Act of 2014 (S. 2612) by Sen. John Warner (D-VA) and Marco Rubio (R-FL);
 - All federal loan borrowers would be enrolled in an income-based program – pay 10 percent of their earnings each month in excess of income in excess of \$10,000
 - Money withheld from paychecks, like tax withholding



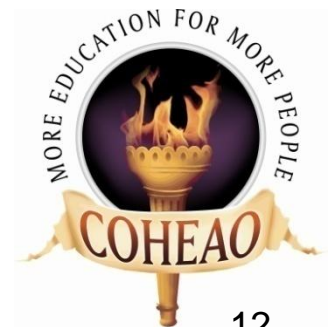
Legislation and Timing

- Reauthorization
 - Renew and review existing statute
 - Opportunity to reevaluate, eliminate or improve
 - Influenced by budget constraints, political realities, party control and the schedule of the authorizing Committee
- During the 2003 Reauthorization, Congress passed fourteen extensions and eventually passed a bill in 2008
- HEA (Higher Education Act) and ESEA (Elementary and Secondary Education Act) have fallen on same reauthorization cycle
- ESEA is the current priority of the House and Senate.
 - Senate HELP Committee unanimously approved the “Every Child Achieves Act,” aka No Child Left Behind a bill to reauthorize the Elementary and Secondary Education Act
 - ESEA Bill has stalled in House



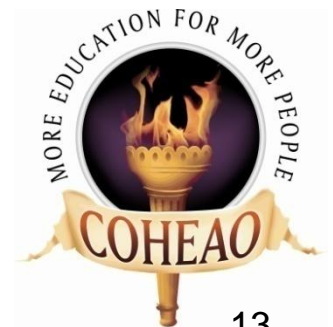
Legislation and Timing

- HEA Reauthorization is certain not to until the end of this year or next
- Congress will need to pass an extension for after the October 1, 2015
- Congress intends to pass a simple continuation of all programs, including Perkins, for up to one year
- Extension is most likely to pass in September



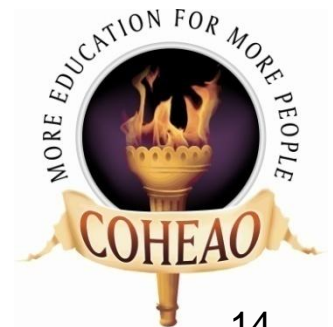
Perkins In Reauthorization

- The support of Perkins has grown significantly over the past year
- Members of the House and Senate saying they definitely support continuation of the program
- The Concept of Risk Sharing fits in the Perkins Model

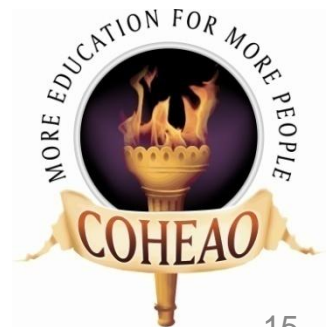


Perkins is a Risk Sharing Model

- Perkins is a program that involves shared financial commitment and risk between institutions and the federal government
- Both Republican and Democratic senators have made proposals that would impose risk sharing on institutions
- Would allow the growth of the Perkins Student Loan Program
- Wow!!!! Save it and finally get more money😊

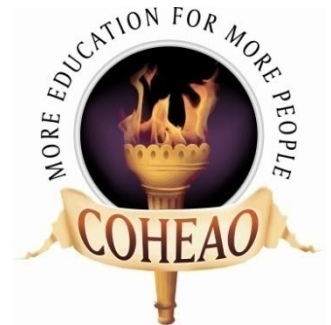


2016 Budget



2016 Budget

- Budget Resolution Conference Report
 - \$163 Billion Total Cut to the Budget
 - Eliminates mandatory Pell Funding
 - Freezes the current level of Pell Funding
 - Total Savings of \$84.6 Billion for Pell
 - Eliminates in-school subsidies for undergraduate Stafford loans. Savings of \$34.8 billion
 - Eliminates public sector loan forgiveness; they say this saves \$10.5 billion
 - Eliminates expansion of IBR: they say this saves \$16.3 billion
 - Eliminates the Social Services Block Grant. Savings of \$16.5 billion



Administration Proposals and Initiatives

President's 2016 Budget Proposal

- Provides \$1.36 billion in 2016 for [America's College Promise](#), a \$60.3 billion investment over 10 years
- Fully funds [Pell Grants](#) and ties the maximum award to inflation beyond 2017
- Simplifying the [Free Application for Federal Student Aid](#)
- Provides \$860 million for the Federal TRIO programs, a \$20 million increase
- Provides \$200 million for the [First in the World](#) program, a \$140 million increase from 2015. These competitive awards aim to improve postsecondary completion rates through innovative, promising, and evidence-based strategies.
- Provides \$200 million for a proposed American Technical Training Fund
- Perkins Direct Loan Program (How many times have we heard that one)



Executive Action

A Student Aid Bill of Rights

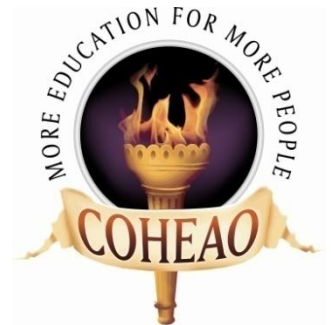
- *Every student deserves access to a quality, affordable education at a college that's cutting costs and increasing learning.*
- *Every student should be able to access the resources needed to pay for college.*
- *Every borrower has the right to an affordable repayment plan.*
- *And every borrower has the right to quality customer service, reliable information, and fair treatment, even if they struggle to repay their loans.*



Executive Action

A Student Aid Bill of Rights

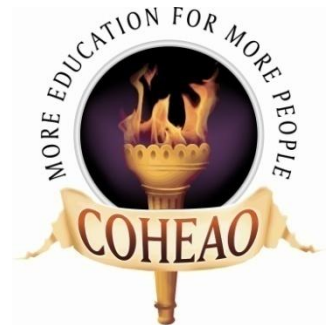
- (1) a state-of-the-art complaint system to ensure quality service and accountability for the Department of Education, its contractors, and colleges
- (2) a series of steps to help students responsibly repay their loans including help setting affordable monthly payments
- (3) new steps to analyze student debt trends and recommend legislative and regulatory changes. In addition, the Administration is releasing [state by state data](#) that shows the outstanding federal student loan balance and total number of federal student loan borrowers who stand to benefit from these actions.



Executive Action

A Student Aid Bill of Rights

- Student Aid Bill of Rights are designed to improve and standardize the customer service experience of federal student loan borrowers.



Recent Legislation

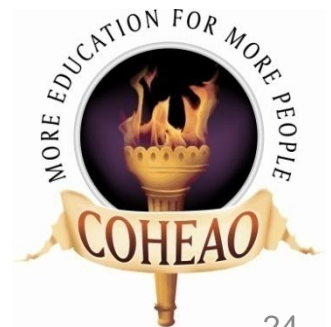


Legislation

- Continuing Appropriations Resolution, 2015 (H.J. Res. 124)
 - Funded Federal government until December 11, 2014
 - Made no changes to the HEA, Title IV, student financial assistance programs
- Consolidated and Further Continuing Appropriations Act, 2015 (H.R. 83)
 - Provides Fiscal Year 2015 full-year appropriations through Sept. 30, 2015, for all agencies except Dept. of Homeland Security (DHS)
 - DHS appropriations provided through February 27, 2015



Regulatory Activity



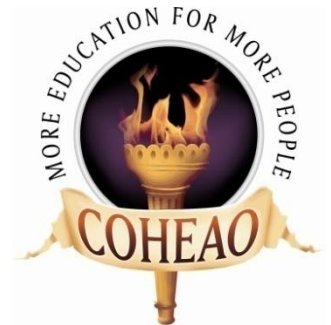
Regulatory Activity

- Gainful Employment Negotiated Rulemaking Committee
 - Three negotiations:
 - Sept. 9 -11, Nov. 18 -20, Dec. 13, 2013
 - Consensus not reached
 - NPRM published on March 25, 2014
 - Final regulations published on Oct. 31, 2014
 - Effective July 1, 2015



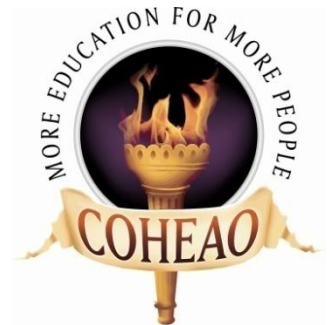
Regulatory Activity

- Violence Against Women Act Negotiated Rulemaking Committee
 - Three negotiations:
 - Jan. 13 – 14, Feb. 24 – 25, March 31 – April 1, 2014
 - Consensus reached
 - NPRM published on June 20, 2014
 - Final regulations published on Oct. 20, 2014
 - Effective July 1, 2015



Regulatory Activity

- Program Integrity and Improvement Negotiated Rulemaking Committee
 - Four negotiations:
 - Feb. 19 - 21, March 26 - 28, April 23 – 25, May 19 – 20, 2014
 - Cash management
 - State authorization of distance ed programs
 - State authorization of foreign locations of domestic institutions
 - Definition of PLUS adverse credit history
 - Repeat coursework
 - Clock-to-credit hour conversion
 - Consensus not reached



Regulatory Activity

- PLUS “Adverse Credit History” Definition
 - NPRM published on August 8, 2014
 - Final regulations published on Oct. 23, 2014
 - Effective July 1, 2015
 - Regulations designated for early implementation
 - Federal Register notice announcing early implementation date published on January 14, 2015
 - Early implementation date: March 29, 2015
 - New adverse credit history standards will apply to all PLUS loan credit checks conducted on or after March 29, 2015
 - Enhanced PLUS loan counseling will also be available of March 29, 2015



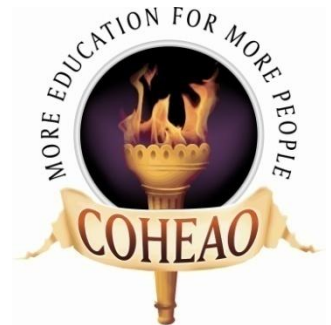
Regulatory Activity

- PLUS “Adverse Credit History” Definition
 - A PLUS loan applicant has an adverse credit history if the applicant has one or more debts with a combined outstanding balance greater than \$2,085 that are--
 - 90 or more days delinquent as of the date of credit report; or
 - In collection or charged off during the two years preceding the date of the credit report; OR
 - During the five years preceding the date of the credit report, the applicant has been subject to--
 - Default determination
 - Bankruptcy discharge
 - Foreclosure
 - Repossession
 - Tax lien
 - Wage garnishment
 - Write-off of a Title IV debt
 - A PLUS loan applicant with an adverse credit history may still qualify for a PLUS loan if--
 - ED determines that extenuating circumstances exist; or
 - The PLUS loan applicant obtains an endorser



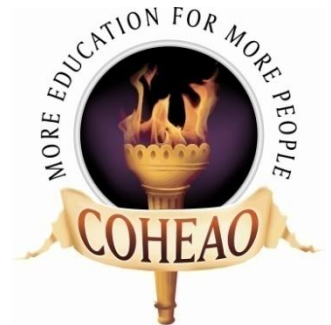
Regulatory Activity

- PLUS “Adverse Credit History” Definition
 - A PLUS applicant who qualifies due to extenuating circumstances or by obtaining an endorser must complete PLUS loan counseling provided by ED
 - The PLUS loan counseling will also be available for PLUS applicants/borrowers who do not have adverse credit histories



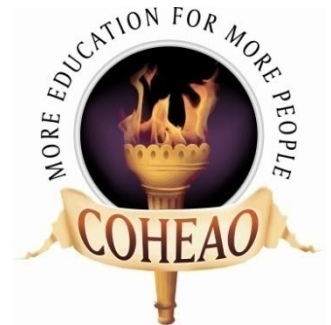
Regulatory Activity

- Negotiated Rulemaking for FY 2015
 - Servicemember Civil Relief Act (SCRA) regulations, expanded Pay as You Earn (PAYE), and associated issues
 - Negotiating sessions to be held on:
 - Feb. 24 - 26
 - March 31 – April 2
 - April 28 - 30



Regulatory Activity

- Negotiated for FY 2015
 - ED proposes to develop regulations that:
 - Establish a new PAYE repayment plan for those not covered by the existing PAYE plan
 - Establish procedures for FFEL loan holders to identify service members who may be eligible for lower FFEL loan interest rates under the SCRA (Service members Civil Relief Act)



IFAP and Dept of Ed Initiatives

Dear Colleague Letters

- [2015-04-23](#) - (GEN-15-07) Subject: FY 2016 Sequester Required Changes to the Title IV Student Aid Programs
- [2015-01-30](#) - (GEN-15-03) Subject: Wind-down of the Federal Perkins Loan Program
- [2015-01-09](#) - (GEN-15-01) Subject: Third-Party Servicer Institutional Requirements and

Electronic Announcements

- [2014-10-01](#) - (General) Subject: New FSA ID to Replace the Federal Student Aid PIN
- [2014-11-13](#) - (Campus-Based) Subject: Federal Perkins Loan Portfolio Liquidation and Assignment Procedures Available on IFAP Web Site
- [2015-02-12](#) - (General) Subject: Third Party Servicer Data Form – Reporting Requirement
- [2015-02-24](#) - (General) Subject: 2015-2016 Financial Aid Shopping Sheet
- [2015-02-24](#) - (Campus-Based) Subject: 2015-2016 Final Funding Authorizations for the Campus-Based Programs
- [2015-03-23](#) - (Campus-Based) Subject: Federal Perkins Loan Program Status of Default as of June 30, 2014 (Orange Book
- [2015-04-13](#) - (General) Subject: FSA ID/PIN Replacement - Implementation on May 10, 2015
- [2015-04-22](#) - (Campus-Based) Subject: Electronic Processing Option for Perkins Loan Assignments Planned for Fall 2015



Dept of Education Initiatives

- College Scorecard
 - Designed by the Dept. of Education and the National Center for Education Statistics to provide better information to students and parents about college affordability and value
 - <http://collegecost.ed.gov/scorecard/>
 - Costs
 - Graduation Rate
 - Loan Default Rate
 - Median borrowing
 - Employment
 - Financial Awareness Tool
 - On-line tool to help students manage loan debt
 - Brings transparency to process of debt management
- FA Shopping Sheet
 - ED and Consumer Financial Protection Bureau partnered to promote transparency in student financial disclosures
 - Designed to help students better understand amount of institutional grant or scholarship aid they may receive and amount of loans recommended to cover remaining costs

Changes to Title IV

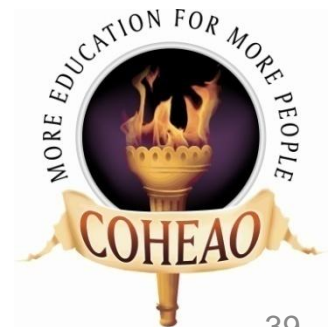
– FASFSA Pin Replacement

- Implementation on May 10, 2015
- FSA ID- ID and Password
- Students will be directed to a link to register for their new FSA ID after they login with their old FASFSA Number after May 10
- Process will take 7 minutes
- FSA will provide a step by step process to share with students and parents
- This ***not*** impact the FSA User ID login process that is currently in place for financial aid professionals.

Changes to Title IV

- Iraq-Afghanistan Service Grant where the first disbursement is on or after October 1, 2015 and before October 1, 2016 requires a reduction of 6.8 percent from the award amount
- TEACH Grant where the first disbursement is on or after October 1, 2015 and before October 1, 2016 requires a reduction of 6.8 percent from the award amount
- Direct Loan Origination Fees
 - The loan fee for Direct Subsidized Loans and for Direct Unsubsidized Loans is 1.068%. For example, the fee on a \$5,500 loan will be \$58.74
 - The loan fee for Direct PLUS Loans (for both parent borrowers and graduate and professional student borrowers) is 4.272%. For example, the fee on a \$10,000 PLUS Loan will be \$427.20

Perkins Loan Program



Status of the Perkins Loan Program

- The Perkins Loan Program is authorized through September 30, 2015 and will expire unless Congress takes action to extend the program.
- All Title IV HEA Programs expire on 9/30/15.
- Department of Ed has stated that they consider any extension of HEA programs after 9/30/15 to include Perkins unless Congress specifically states otherwise.
- There has been no Congressional support for the Administration's Federal Direct Perkins Loan Program.
- There is No alternative program or proposal to replace the Perkins Program and the funding it provides.



Dear Colleague Letter GEN-15-03:

Wind-down of the Federal Perkins Loan Program

Absent **Congressional action**, schools may not make Perkins Loan to new borrowers after Sept. 30, 2015.

However:

- If a school makes a Perkins Loan first disbursement to ANY student for the 2015-16 award year prior to October 1, 2015, it may make any remaining disbursements for the 2015-16 award year after 9/30/15.
- A school may also make Perkins Loans to certain students for up to 5 years (through 9/30/20) under a narrow grandfathering provision.

Congressional action includes reauthorization of the Perkins Program or an extension of the current HEA, which does not specifically exclude Perkins.



HEA Grandfathering Provision

A school may make **new** Perkins Loans to **existing** Perkins Loan borrowers who qualify under the “grandfathering” provision if all of the following conditions are met:

1. The school made at least one Perkins Loan disbursement to the student on or before June 30, 2015;
2. The student is enrolled at the same institution where his/her last Perkins Loan disbursement was received;
3. The student is enrolled in the same academic program (using first 4 digits of the CIP Code) for which the student received his or her last Perkins Loan disbursement; and
4. The Perkins Loan is made to an otherwise eligible student to meet all or some of their unmet need to enable them to continue or complete their course of study **only** after the student has been awarded all Direct Subsidized Loan aid for which the student is eligible.

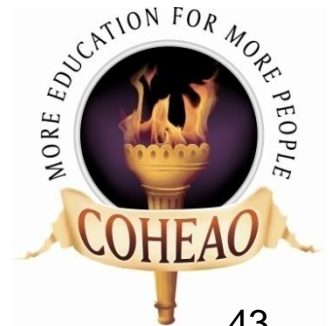
The grandfathering provision applies only to students who received their first Perkins Loan for the **2014-15 award year or prior**. See Recent DCL - GEN-15-03: Wind-down of the Federal Perkins Loan Program: <http://www.ifap.ed.gov/dpcletters/GEN1503.html>



HEA Grandfathering Provision

A few areas for consideration:

- If the HEA is extended – will the eligibility period for the grandfathering provision also be extended and therefore include students first awarded Perkins in 2015-16?
- The guidance does not state that the student must have received consecutive Perkins awards - only that they were awarded Perkins prior to June 30, 2015.
- Many first and second year students are in undeclared majors or are classified as general studies. Are they penalized by then selecting an academic major?



COHEAO's Proposal

Campus Flex Proposal

- Single Appropriation for all three campus-based aid programs: Work Study, Supplemental Educational Opportunity Grants and Perkins Loans
- Characteristics for each maintained but simplified.
- Schools allocate funds between programs according to students' needs for each academic year.
- Appropriations transfers between programs allowed
- Perkins Loans stay the same, except grace period of six months as with other federal loans.
- Consolidate cancellations and consider income threshold
- Adjust campus-based program allocation formulas to ensure fair distribution of appropriations.

BENEFITS OF CAMPUS FLEX

- One single authorization/appropriations for all three campus based programs – simplification
- Institutional flexibility – allocate funds where the school needs them
- Transfer up to 1/3 of annual Perkins interest collections to FWS or SEOG

Perkins Advocacy

COHEAO Efforts Underway

Efforts Underway:

- Organize state conference calls to key Members of Congress
 - House Subcommittee on Higher Education and Workforce Training
 - House Committee on Education and the Workforce
 - Senate Committee on Health, Education, Labor and Pensions
 - States with high volume of Perkins recipients
- Monitor Department of Education and community activity that affect Perkins
- Organizing Congressional Visits in D.C. and locally
- Since 2013 COHEAO members have participated in more than 180 Hill meetings



What You Can Do – Be Informed

Countering the One-Grant/One-Loan Concept:

- COHEAO's Campus Flex proposal works within the confines of One-Grant/One-Loan – by adding One Campus-Based.
- Many simplification proposals sound great in theory, but do not account for the realities on the ground and should not come at a cost to the student.
- Loss of Perkins and SEOG removes the flexibility of the financial aid office to assist low-income and lower-middle income students who need additional low-cost aid options.
- Federal Work Study is an important piece of a student's aid package but it cannot take the place of Perkins and FSEOG in terms of meeting total need.
- Loss of cancellation benefits will be detrimental to both borrowers and communities.
- There is NO alternative loan program to take the place of Perkins!
- Subsidized loans are critical for this population of borrowers.
- Many Perkins recipients would not be eligible for private loans, or if eligible would pay a much higher rate of interest.



What You Can Do - Educate

Perkins vs. Private

The following example compares the difference in loan costs to a student borrowing \$1,000 in their freshman year and graduating in 4 years:

Perkins Loan @ 5% interest rate	Private Loan @ 10% interest rate*
Loan is interest-free until 9 months after leaving school	Loan accrues interest immediately (repayment may be deferred until leaving school)
\$1000 loan balance when repayment starts (9 months after leaving school)	\$1464 loan balance when repayment starts (immediately after leaving school)
Actual amount repaid (10 yr repayment plan) \$1273	Actual amount repaid (10 yr repayment plan) \$2322

**private loan rates vary*



What You Can Do - Educate

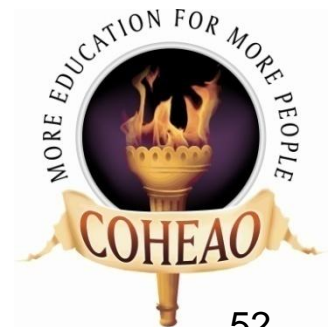
- Make sure your President is aware of the impact to your institution if Perkins is eliminated – share the impact on both enrollment and retention. Get his/her support.
- Inform your government relations office of the issues and the impact to your students and campus. Provide them with key information that they can share when they meet with or talk to Congressional Members and staff.
- Discuss with other offices affected on campus – financial aid, business office and admissions are just a few examples of offices impacted.
- Get your student government association involved!
- Bring the issue to students and parents for their help in supporting the program.



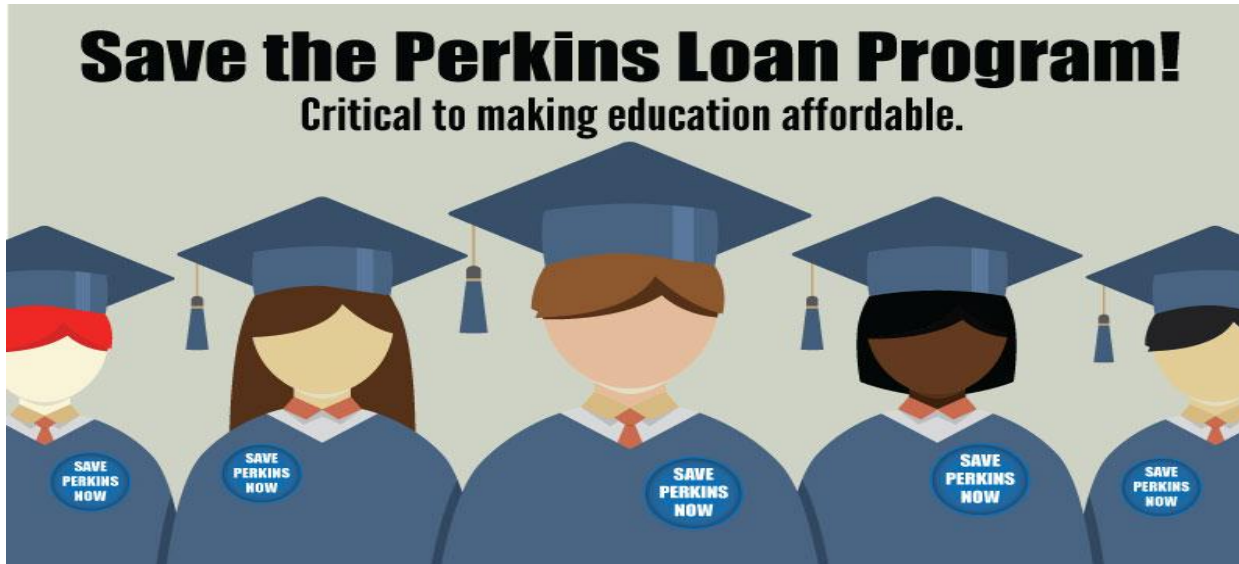
Act Now!

✓ School Action Checklist:

- ☐ Put together statistics and an impact statement for your campus
- ☐ Share information with your president and federal affairs/government relations office
- ☐ Educate your colleagues and ask for their support
- ☐ Ask your University President and key campus colleagues to write or sign a letter of support
- ☐ Engage - students, borrowers and parents – gather testimonials
 - ☐ Current and former students who were able attend your school because of Perkins
 - ☐ Parents who depend on Perkins to fund the cost of attendance
 - ☐ Borrowers who have benefitted from a Perkins loan cancellation
- ☐ Visit your Congressional Representatives in their local offices
- ☐ Write, email and call your Congressional Representatives (share communications with COHEAO)
- ☐ Network with local colleges and higher education groups
- ☐ **Continue to award Perkins Loans**
- ☐ Contact COHEAO with questions, for direction or advice



LET'S SAVE PERKINS NOW



Support the Perkins Loan Program!

Sign the Petition Today

Share with Colleagues & Students

<https://www.change.org/p/save-perkins-now>



Spread the Word

View the Perkins Video:

<https://www.youtube.com/watch?v=FvBj9tMthvg>



Spread the Word



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