

The



Torch

March 6, 2009

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

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COHEAO News

Save the Date! COHEAO Mid-Year Conference in Philadelphia, PA

Save the Date for the COHEAO Mid-Year Conference August 1 through August 4. This year's Mid-Year conference will take place in historic Philadelphia, PA. The conference will feature important legislative and regulatory updates. The conference will be located in downtown Philadelphia and is ideally located next to many of the city's most visited attractions, including city hall, the art museum, Reading Terminal Market, Penn's Landing and Citizen's Bank Park, home of the Philadelphia Phillies! Registration will be available shortly on the COHEAO website.

COHEAO is also looking for any individuals who are interested in serving on the Conference Agenda Committee, which held its first, very productive, call on Thursday. Those interested should immediately contact Larry Rock at Concordia College at larock@concordia.edu. Larry is also interested in ideas for session topics.

As more information becomes available it will be posted on the COHEAO website.

Scholarships: Deadline Approaching

The deadline for COHEAO Scholarship applications is soon approaching! COHEAO is accepting applications for the 2009-2010 scholarships. Scholarships are awarded to undergraduate students who attend COHEAO member institutions. This year, four \$2,000 scholarships will be awarded to deserving students. The Board of Directors voted unanimously to award one scholarship this year in honor of COHEAO member Marty Damien of Massachusetts, who passed away in January.

Scholarship recipients are chosen by the Scholarship Selection Committee made up of representatives from COHEAO member schools and institutions. The application deadline for the 2009-2010 scholarships is March 21, 2009. A flyer suitable for printing and posting is attached to the Torch.

In recent years, the funds raised for the COHEAO scholarship have helped students at UC Berkeley, Gonzaga University, Northern Arizona University, UCLA, Iowa State University, Yale University and many others.

Distribution Policy for *The Torch*

COHEAO would like to remind all of our members, to please abide by the distribution policy for *The Torch*. Redistribution of this memorandum or its content outside the immediate organization of the intended recipient without the express prior permission of COHEAO is prohibited.

If you have any questions regarding this policy, please contact Krista Heckler or Harrison Wadsworth.

Get Your Winter Fashions at the COHEAO Store

It's winter and that means it's time to update your wardrobe with the latest from the COHEAO store, <http://www.westernprinting.net/coheao>, where you will find high-quality clothing and outerwear bearing the distinctive COHEAO flame logo. The net proceeds from the sale of the clothing will go to the COHEAO scholarship fund, which awards \$1,000 scholarships every year to deserving students with financial need who are attending COHEAO member institutions of higher education. Check it out today and help yourself – and a student who can really use the assistance.

Congress

FY09 Omnibus Bill Stalls in Senate

Last week the House of Representatives adopted an Omnibus Spending bill to finally inform all federal agencies about how much money they will have for the remaining months of the budget year that began on October 1, 2008. However, the debate on the Omnibus bill in the Senate hit severe bumps in the road Thursday, and final action has been delayed once again so that more amendments can be offered to it.

The Senate debated the bill for several days. The points of disagreement focused on the overall cost of the legislation--\$410 billion—and the number of earmarks found throughout the bill. Despite the best efforts of Appropriators to make the earmarking process transparent this year, opponents to this type of spending continued to rail against the bill and the process. President Obama criticized earmarking on the campaign trail and insisted he would change the budgeting and appropriation process to reduce or eliminate

this kind of spending. He will wait until FY 2010, however, to state his case, hoping that Congress will pass this last piece of business from the previous Congress without his intervention.

Because of the intense disagreements among Members—on both sides of the aisle—Majority Leader Harry Reid (D-NY) was forced to file a cloture motion to end debate on the bill. When he realized he was one shy of the necessary 60 votes, he decided to postpone final action.

Rumor has it that some modest changes will be made to secure the magic 60 votes when the bill comes up again in the Senate on Tuesday. Education advocates are hopeful that the bill will pass, as the alternative would mean a continuing resolution for the entire FY 2009 Fiscal Year, funding all programs at their FY2008 levels. The loss to education along would be approximately \$500 million. The 2009 Omnibus bill includes funding of \$67.2 million for Perkins Loans Cancellations, which is an increase of \$2.83 million over FY2008 levels.

Obama FY2010 Budget Hearings Begin

OMB Director Peter Orszag testified this week at a House Budget Committee hearing on the Obama Administration's FY2010 budget proposal.

While most of the hearing addressed the deficit, healthcare reform, and questionable assumptions (particularly regarding economic conditions), one Democratic Member, Rep. Bob Etheridge of North Carolina, did express his concern with the budget's federal student loan proposal. Etheridge said he was particularly concerned with the loss of jobs and college awareness services in his state.

Orszag responded to Etheridge that no job losses would occur due to the Administration's proposal. He also said students "get nothing" from the alleged additional costs of FFELP.

The FY2010 budget hearings continue next week. Orszag will testify before the Senate Budget Committee, whose Chairman, Kent Conrad (D-ND), is a strong proponent of minimizing the federal debt, on Tuesday, March 10 at 2:30 PM. Education Secretary Arne Duncan will testify before the House Budget Committee on his Department's budget proposal on Thursday, March 12 at 10:00 AM.

For more information on Duncan's Thursday House hearing, including a link for a live webcast, visit: <http://budget.house.gov/schedule.shtml>

For more information on Orszag's Tuesday Senate hearing, including a link for a live webcast, visit: <http://budget.senate.gov/democratic/hearingstate.html>

INSIDE ED AND THE ADMINISTRATION

Obama Budget Proposal Calls for “Reinvention” of Perkins

The Obama Administration released its FY2010 budget last week which included a proposal to eliminate FFELP, as well as increasing the maximum Pell Grant award and “modernizing and expanding” the Perkins Loan Program.

The Administration claims the proposal to eliminate FFELP will save the government more than \$4 billion per year, and the FY2010 Budget calls for the reinvesting of these purported savings in additional federal student aid.

The budget increases the maximum Pell Grant and moves funding for this program to the mandatory side of the federal budget ledger. It also includes a call to “modernize and expand” the Perkins Loan program. Additionally, the proposal also includes \$2.5 billion to evaluate college success, as well as making the stimulus package’s \$2,500 American Opportunity Tax Credit permanent.

In FY2010, the maximum Pell Grant would increase by \$200 to \$5,500. Each year after that, it would increase at a rate equal to the Consumer Price Index plus one percentage point. By moving Pell to the mandatory side of the ledger, it becomes an entitlement program similar to Social Security or Medicare. Members of the higher education community have long called for making Pell an entitlement.

The proposal also calls for a dramatic increase in funding for the Perkins Loan program, and a complete overhaul of its administration. The new Perkins program would receive a \$5 billion increase in funding, but program eligibility would be expanded to all schools (currently, 1,800 use the program).

Under the proposal, loans would be originated and fully serviced by the Department of Education. According to the Department, the government believes it “can collect loans more efficiently and effectively than many colleges.”

The new version of Perkins would continue to make loans to students at a 5 percent interest rate. Schools would have discretion with regard to student eligibility. However, interest on these loans would accrue while students are in school. Other terms and conditions and loan maximums would be the same as the current unsubsidized Stafford Loan program.

In discussing the budget proposal with reporters and members of the higher education community, the Administration stated the new program is a key element of their plans to emphasize college “completion,” as opposed to “access.”

The targeting of the program to the neediest students will also be loosened, but this program would be used as an incentive for schools to promote college affordability. The

“hope and plan” of the Department is to use a formula to incent schools to provide need-based aid to students (i.e. schools would receive additional loan funds based on their success in “making college affordable” or promoting “college success”).

Department officials said they plan to “work out the details” with Congress on the formula for funding this new iteration of the Perkins program. While they did not provide many specifics, the Department officials did say they have concerns with the current formula due to proportional increases in the amount of available Perkins funds and an institution’s cost of attendance. According to the Department, “that’s the wrong incentive.”

As the Department has described “reinventing Perkins” as part of the Department’s emphasis on college completion, it could also mean some additional major changes to program’s terms and conditions. The full Budget should provide some of these details. It is expected to be released in early April.

Neg Reg on Student Loan HEOA Issues Holds First Meeting

Negotiated rulemaking on the student loan issues in the Higher Education Opportunity Act began last week. Team I (lender based issues) and Team II (school based issues) met last week, both teams finishing early.

The first round of negotiated rulemaking addresses many “housekeeping” issues and also lays the foundation for deliberations over regulatory language by providing a broad overview of the issues. The Department will provide draft regulatory text shortly before the next meeting, and negotiations will really ramp up at that time. COHEAO Legislative Co-Chair, Regulations Jackie Ito-Woo of the University of California is serving as a member of the negotiating team. Her alternate is Beth Stack of the University of Pittsburgh.

The first meetings were not without controversy, however, as Team II rejected requests for additions to the negotiating team. Lenders were not given a place at the table for Team II, despite support from the Department of Education. Team II also created a subcommittee for issues of common interest between with Team I.

The next round of negotiated rulemaking is scheduled for the week of March 30. Team I will meet March 30-April 1 and Team II will meet April 1-3.

For more information on HEOA implementation, including negotiated rulemaking, visit: <http://www.ed.gov/policy/highered/leg/hea08/index.html>

INDUSTRY NEWS

IRS to End Contracts with Private Debt Collectors

On Thursday, the Internal Revenue Service announced it will end its contracts with private debt collectors to bring in unpaid tax debts after an internal study found in-house collection efforts were more cost effective. According to the announcement, the IRS plans to hire over 1,000 new collection employees to provide more flexibility in deciding which debts to pursue for collection.

This decision will end a program that was aimed at collecting small, undisputed debts that the normal IRS collection apparatus was not well-equipped to pursue. Congressional Democrats have been trying to kill the program since its inception in 2006, raising concerns about the programs effectiveness and reports of taxpayer harassment by private debt collectors.

"After a thorough review of this program, I have decided not to renew the contracts," IRS Commissioner Doug Shulman said in a statement. "I believe this work is best done by IRS employees, and I believe we have strong support from the Administration and the Congress for increased IRS enforcement resources."

Sen. Charles Grassley (R-IA), Ranking Member of the Senate Finance Committee, responded to the IRS announcement, stating, "The administration has decided that after spending nearly a trillion dollars in the stimulus bill to keep people working across the country, they are going to cut a program that provides jobs to hundreds of people during the middle of a recession, including 60 in Iowa."

College-Savings Plans Shrinking

Bloomberg reported this week that the value of college-savings plans (529 plans) lost \$23.4 million last year, falling 21 percent. At the end of 2007, assets in the saving plans declined from \$111.9 billion to \$88.5 billion. The loss of assets was driven by the selloff in stocks, which lost 38 percent as measured by the S&P 500.

"People in general are struggling with what the markets are doing," said Kevin McMullen, chairman of the College Savings Foundation. "Still, people are viewing college plans as a long-term plan," resulting in fewer redemptions than expected.

According to a report by the *College Board*, the average tuition cost at a four-year public college rose 5.7 percent in the current academic year to \$14,333, while the cost of a private college rose 5.6 percent to \$34,132. Students are struggling to afford the cost of college and are facing tougher loan requirements.

"I wouldn't say there is panic, but there is a lot of concern" over declines in college-savings plans, said Joseph Hurly, founder of Savingforcollege.com, a Florida based

company that provides advice on college plans. He added, "If you need money in the short term, it is better to choose conservative options."

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COHEAO Scholarship

2009-2010



For the 2009 – 2010 academic school year, the Coalition of Higher Education Assistance Organizations (COHEAO) will award four \$2,000 scholarships.

The eligibility requirements for applicants for the 2009-2010 academic year are as follows:

- Applicants must be U.S. citizens;
- Applicants must attend a COHEAO Member School;
- Applicants must have a minimum GPA of 3.75 on a 4.0 scale;
- Only undergraduate students, who will be entering their sophomore, junior, or senior year in 2009-2010, are eligible to apply: freshmen and graduate students are not eligible;
- Only one scholarship per family per academic year will be awarded; and
- COHEAO members and their immediate family members are not eligible for COHEAO scholarships.

Further information about the COHEAO scholarship is available via the Web at: <http://www.coheao.org/scholarship/scholarship.html>

The application deadline is March 21th, 2009