



The Torch

September 15, 2006

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

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COHEAO News

Plan Now: COHEAO Annual Conference January 27-31, 2007

COHEAO is thrilled that we will be returning to the Ritz-Carlton Pentagon City Hotel for the upcoming 2007 Annual Conference. We were able to negotiate a substantially below-market rate for hotel rooms in the Washington, DC area of \$205 per night for the conference. This year it will be taking place just as the new Congress is getting underway and making plans for the next two years. The President's next budget will be coming out about that time also – something to think about. Discussion of administrative issues and practices will be covered.

We will be planning another interesting and educational agenda, with an agenda committee led by Lettie Clark of Gonzaga University and Rob Matter of Conserve. Lettie and Rob are seeking COHEAO members who have some ideas and would like to serve on the 2007 Annual Conference Agenda Committee. If you are interested, please let Harrison Wadsworth know at the COHEAO DC office - hwadsworth@wpllc.net.

COHEAO Submits Comments on HERA Regs

COHEAO has submitted comments on the Department of Education's recently released Interim Final Regulations related to the Higher Education Reconciliation Act. The comments focus on rehabilitation of fraudulently obtained loans and on eligibility for the new military deferment on pre-July 1, 2001 Perkins Loans. The comments are attached to this edition of the *Torch*.

ACA International Will Hold Collection Practices Seminars At COHEAO Conferences

COHEAO is collaborating with ACA International, the Association of Credit and Collections Professionals (ACA), in offering a series of Higher Education Collection Practices (HECP) seminars. The next offering is in late January in conjunction with the COHEAO Annual Conference at The Ritz-Carlton Pentagon City hotel in Arlington, VA. The exact date will be announced soon.

Topics covered in the one-day seminars include background on various loan programs, types of student receivables, entrance and exit interviews, unique debt management options for students, and procedures and terminology related to bankruptcy, litigation, and student loan debt.

The seminars are part of ACA's Higher Education Collection Specialist (HECS) program, which is designed for individuals performing college and university collection services. As part of the collaborative effort, COHEAO members receive a special rate to participate in the seminar, which fulfills one of the curriculum requirements toward earning the prestigious Higher Education Collection Specialist (HECS) designation.

For more information about the program, visit the ACA International website at <http://www.acainternational.org/campusaca> or call 952-928-8000 extension 214 or 216.

Get Your Fall Fashions at the COHEAO Store

With Fall here, gear up at 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

Partisanship Reigns as Congress Anticipates Mid-Terms

Loud, partisan talk could be heard all over Capitol Hill as the week began. Elections were held around the nation on Tuesday, and though the races were in large part local, politicians and pundits were poised to make national predictions based on the results. According to pollsters, the public is dissatisfied and the leadership in both Houses of the Congress is up for grabs. Incumbents are running scared and challengers are feeling confident. The tension that results makes legislating a difficult and frustrating task.

What can be learned from the results of the Tuesday elections? Not surprisingly, Tip O’Neil’s “all politics is local” line still rings true and predictions for November are uncertain at best. As the week wore on, perhaps because of these results, or just the weariness that comes from hours of heated debate, the House and Senate on Thursday passed several contentious bills by wide margins. Among them was a so-called lobby reform bill that puts a little sunshine on the earmarking process by requiring Members to acknowledge the funds they have requested for constituents and another bill calling for the creation of searchable website and database to chart government spending on grants and contracts.

With two weeks left before the FY 2007 fiscal year begins and Congress leaves again to campaign, there is a lot of unfinished business on the budget front. None of the appropriations measures have made it to the President’s desk and only two have passed the Senate – Homeland Security and Defense. It is hard to envision the kind of compromise necessary to finish the job, at least in the current environment.

For the Department of Education, a continuing resolution is now a certainty. The publicity surrounding the earmarks that were included in the House and Senate education bills in anticipation of the lobby reform measure serve as a kind of insurance policy legislators will ultimately agree to the bill. A continuing resolution carries only the authorized funding from the previous year, dropping all those earmarks that Members will be bragging about when they start campaigning in earnest. A decision about a final bill will not take place until after the elections, either during the lame duck session that will begin on November 13 or into the New Year.

Specter, Harkin Push for Additional Labor-HHS-ED Funding

Sens. Arlen Specter (R-PA) and Tom Harkin (D-IA) are circulating a “Dear Colleague Letter” this week urging their colleagues to increase the Labor-HHS-ED spending bill by \$2 billion. However, a deal between House and Senate appropriators on Defense spending could render their efforts moot.

In March, 73 Senators supported the “Specter-Harkin Amendment” that would add \$7 billion to the President’s request and restore Labor-HHS-ED funding to FY 2005 levels. However, the FY 2006 Emergency Supplemental Bill contained a “deeming resolution” that required cuts to domestic programs and the allocation for the Labor-HHS-Education appropriations was reduced by \$2 billion. Harkin and Specter want to restore that \$2 billion in funding and are seeking the signatures from the 73 Senators who initially voted for the bill.

“We feel strongly that the funding we provide in this bill reflects an investment in the human infrastructure of our nation. At a time when the demand for job-training and education is critical to maintain America’s competitiveness, and when the cost of health care and access to quality care are major issues for many Americans, we simply cannot afford to cut funding for healthcare and education. These cuts move our country in the wrong direction” reads the letter.

Specter’s counterparts in the House are planning a similar effort. Moderates in the GOP have been reminding party leadership of a commitment of an additional \$3 billion for the House version, but all of these efforts could be unnecessary as *Congress Daily* is reporting that Senate Appropriations Committee Chairman Thad Cochran (R-MS) and House Appropriations Committee Chairman Jerry Lewis (R-CA) have agreed to trim \$5.9 billion from the Defense spending bill to add money to domestic spending. A good portion of the \$5.9 billion will be used for Labor-HHS-ED spending, but it does not equal the \$7 billion demanded by Harkin and Specter, especially as the \$5.9 billion must be divided between several domestic programs.

Additional Short-Term HEA Extension Likely

Although members of his staff indicate that Senate Health, Education, Labor, and Pensions Chairman Mike Enzi (R-WY) is very interested in passing Higher Education Act (HEA) reauthorization legislation in the 109th Congress, however it is becoming less likely that this will occur. The politicization of certain higher education issues, namely college costs and student aid, will prevent the measure from being considered before the mid-term elections it will not be picked up in the “lame duck” session either.

With the chances of passing HEA reauthorization before September 30 resting somewhere between slim and none, both chambers must now look towards a short-term extender. At this time, neither Chariman Enzi or House Education and the Workforce Chairman Buck McKeon (R-CA) if any amendments of substance will be attached, but rumors circulate that the extender will last until March, 2007.

HELP Committee Raises Concerns with ED’s Plan to Implement Commission Recommendations

Twelve Senators from the Senate HELP Committee, including Committee Chairman Mike Enzi (R-WY) and Ranking Member Ted Kennedy (D-MA), recently sent a letter to Secretary Spellings expressing their concern with her plan to implement portions of the Commission on the Future of Higher Education’s report without legislative approval. In an August 18 *Federal Register* notice, the Department stated the negotiated rulemaking process for the Higher Education Reconciliation Act may include portions of the Commission report. Spellings is to formally announce her plans in regards to the Commission report at a press event on September 26.

Advisory Committee Issues Report on College Costs

According to a new report from the Advisory Committee on Student Fiancial Assistance, college costs have prevented, and if left unaddressed, will continue to prevent millions of “college qualified” students from pursuing a bachelor’s degree. The report estimates that in the 1990’s costs prohibited between 800,000 and 1.6 million qualified students from earning a degree and the estimate rises to 1.4 million to 2.4 million for the current decade.

Even more cause for alarm, according to the Advisory Committee these estimates are quite conservative due to the methodology of the report. Using complex research methods, the figures presented by the Committee try to focus on students for whom costs was the main, if not sole, contributor to not obtaining a degree.

The report cites “impressive gains made by K-12 educators, professionals in early intervention programs, states, colleges, Congress, and the Department of Education from 1992-2004,” but asserts that “net price at four-year public colleges increased over that time period and appears to have undermined these improvements.” It also warns that if college costs are not addressed by policymakers and the higher education community, the trend will continue. To combat these issues, the report offered the following six recommendations:

- Reinvigorate the access and persistence partnership to increase need-based aid from all sources,
- Restrain increases in the price of college and offset increases with need-based student aid,
- Moderate the trend - at all levels - toward merit-based aid and increasing reliance on loans,
- Reduce financial barriers to transfer from two-year to four-year colleges,
- Strengthen early intervention programs for low- and moderate-income students,
- Invest in efficient and productive remediation.

Although the makeup of the Advisory Committee is bipartisan and the report did not seek to place blame with any administration or agency, Democrats and Republicans had very differing views on the report. Both House Education and the Workforce Committee Chairman Howard “Buck” McKeon (R-CA) and Ranking Member George Miller (D-CA) lamented the rising costs of college and both referenced the report in regards to the Higher Education Reconciliation Act. However, in one of those “only in Washington” situations, Miller used the report to criticize the legislation, while McKeon used it to support it.

The report will be the main topic of discussion at the Advisory Committee’s next meeting, Tuesday, September 19th in Washington, DC.

For more information on the Advisory Committee on Student Financial Assistance and to access the report, please click here: <http://www.ed.gov/about/bdscomm/list/acsfa/edlite-whatnew.html>

Campaign for America’s Future Issues Report on Costs of College, Student Aid Legislation

Campaign for America’s Future released a report this week detailing increases in college costs and provided a platform for Rep. George Miller (D-CA), Ranking Member of the House Education and the Workforce Committee, and Sen. Ted Kennedy (D-MA), Ranking Member of the Senate Health, Education, Labor and Pensions Committee, to promote their student aid legislation.

The report features a state by state breakdown, a national overview and interestingly, a “report card” on how legislators have voted on various student aid legislation. It also lists campaign contributions made to legislators by Sallie Mae and Nelnet and recommends the passage of the “Student Aid Reward (STAR) Act” and the “Reverse the Raid on Student Aid Act.”

Additionally, Kennedy and Miller were able to participate in a teleconference announcing the release of the report. Both legislators used the opportunity to rail against Republican higher education policies and promote their own legislation. Miller was particularly critical of the student loan provisions the Higher Education Reconciliation Act (HERA).

“Cutting college financial aid is clearly the wrong direction for our students and our economy at a time when we should be doing all we can to increase college attendance and strengthen our nation’s workforce. Democrats believe that investing in education and innovation is essential to ensuring a bright

and successful economic future, and we are deeply committed to making college more affordable," said Miller

According to "Higher Education: Soaring Out of Reach of American Families," college costs have risen 40 percent since 2001, while median household income decreased by two percent. Additionally, the full cost of attend one year of college equals 25 percent of the median household income in the U.S. As for the report card, legislators were "graded" on their votes on certain student aid legislation, most notably the Higher Educaiton Reconciliation Act. Not suprisingly given the "graders," most Republicans received an "F" and most Democrats received an "A"

Although the report had plenty of criticisms on the passage of the Higher Education Reconciliation Act and the FFEL program, among other things, it did not offer recommendations in regards to how to combat the problem of increasing college costs. Instead, the report deferred to Kennedy and Rep. Tom Petri's (R-WI) "Student Aid Reward Act" and Miller and Sen. Dick Durbin's "Reverse the Raid on Student Aid Act of 2006," both of which would merely provide modest increases in federal financial aid, as solutions to the college affordability issue.

Democrats' "Reverse the Raid" Campaign Continues

Capitalizing on the Congressional recess coinciding with back to school season, Senate Minority Whip Dick Durbin (D-IL) visited the University of Illinois campus to remind everyone of his "Reverse the Raid on Student Aid" legislation. The event was attended by roughly 75 students and faculty members.

Durbin not only offered details on his proposal, which includes halving the interest rates on federally backed student loans and increasing the maximum Pell grant awarded to \$6,000 by 2011, but also used the event to attack Republicans for passing the Higher Education Reconciliation Act; or according to Durbin, the "Raid on Student Aid" his legislation seeks to reverse.

"Recent legislation passed by the Congress and signed by President Bush means the cost of college education for the average Illinois student went up \$2,300, plus the new legislation takes away the students rights to negotiate interest rates," Durbin said. "The debt burden bearing on our students today is crushing."

Although he realizes the legislation will not be considered by the 109th Congress, Durbin indicated he was hopeful the Democrats would regain the majority during November's mid-term elections, clearing a path for his legislation.

Coburn's College Earmark Inquiry Met With Varying Response

Last month, Sen. Tom Coburn (R-OK) requested information from 109 colleges on their lobbying efforts and the earmarks they had received. 60 colleges complied with the request, 10 have requested more time and 39 have given no response.

A long time foe of pork and the earmarking process, Coburn says that earmarked projects, whether at colleges or elsewhere, often lack justification and are "the gateway drug to overspending." In his initial inquiry, Coburn was careful not to place blame with the colleges, stating he wanted to see if they felt pressured to lobby Congress to secure funding.

The higher education community was blindsided by the request, as earmarks are often a thorny issue. On the one hand, the funding might be vital to a critical research project on campus; on the other, it circumvents the competitive process for precious research funding.

Of the responses Coburn has received, they were quite varied as well. Some schools simply complied and offered the information he was seeking; others offered justifications for their earmarks and some offered one word answers or referred Coburn to their Congressional delegation.

It remains unknown at this time what Coburn plans on doing with the information he has collected, but he seems committed to receiving a response from every school. According to his spokesperson the Senator “won’t rest until he gets responses” from the remaining 39 institutions.

INSIDE ED AND THE ADMINISTRATION

Changes in Department Financial Systems Impacts Funds Availability

On August 23, the Department announced that new financial systems, specifically a new operating environment, will cause interruptions in several services, including the Grant Administration and Payment System (GAPS) and the Common Origination and Disbursement System (COD). These interruptions will impact campus-based aid programs as well the operations of Pell Grants, ACGs, SMART Grants and others. Changes in the operability of these systems will occur September 18 through September 29 and September 30 through October 9. For more information visit: <http://ifap.ed.gov/eannouncements/0823EDCAPSGAPSShutdown.html>

Department to Hold Training Workshops on ACG and SMART Grants

The Department of Education has announced that it will hold workshops to discuss specific details of the new ACG and SMART Grant programs, which were authorized in February this year. The workshops will be held between September 26 and December 7 at the Department’s Regional Training Facilities (RTFs) across the country. The workshops will cover student eligibility, institutional eligibility, return of funds and several other issues. For more information visit: <http://ifap.ed.gov/dpclatters/ANN0610.html>

Bush Nominates Two Assistant Secretaries

Last week, the White House announced that President Bush intends to nominate Lauren Maddox, to the post of Assistant Secretary of Education for Communications and Outreach. Maddox currently works as a Principal at PodestaMattoon and previously served as the Communications Director in the House Republican Conference. Maddox received her bachelor's degree from Creighton University and her master's degree from Northwestern University.

Also, Kerri Briggs has been named Acting Assistant Secretary for Planning, Evaluation, and Policy Development, filling the post vacated by Tom Luce.

School-as-Lender Audit Ended

Last week, the Office of Inspector General (OIG) of the Department of Education announced the closure of its school-as-lender audit, stating changes in school-as-lender requirements in the Higher Education Reconciliation Act have given audits very little use. The objectives, according to a memorandum from the OIG, were to assess the management controls over the process for approving schools as lenders; and

to select lender schools for review to determine if arrangements with other eligible lenders may have violated the prohibited inducement provisions of the Higher Education Act of 1965, as amended (HEA). However, the OIG also noted that the termination of the audit does not preclude it from further reviews in the future

Department to Distribute 2006-2007 Supplemental Campus-Based Awards

The Department of Education has released information regarding its intention to make 2006-2007 supplemental awards for campus-based programs. These allocations are from unexpended funds from the previous award year. There will be no supplemental awards for the Perkins Loan Program since there was no Federal Capital Contribution the previous year. For more information visit: <http://ifap.ed.gov/dpcletters/CB0613.html>

FISAP Due September 29

The Department of Education has released a reminder that the Fiscal Operations Report for 2005-2006 and the Application to Participate for 2007-2008 (FISAP) is due Friday, September 29th. For more information visit: <http://ifap.ed.gov/eannouncements/090506DeadlineforsubmittingFISAP.html>

Default Rates Remain Low, But See Slight Increase

Although Cohort Default Rates increased for only the second time since the government began tracking the data, officials at the Department of Education generally pleased with the results. The Cohort Default Rate for FY 2004 was 5.1 percent, a slight increase over the 4.5 percent seen in FY 2003, but still well below the all-time high of 22.4 percent in FY 1990.

“I’m pleased to see that default rates remain at historically low levels. The new rate is the second-lowest ever recorded,” said Secretary of Education Margaret Spellings. “As the federally guaranteed student loan portfolio continues to grow, it is more important than ever that we continue our outreach to student borrowers to educate them about their responsibilities and the resources available to assist them in their repayment obligations.”

However, despite a sharp and fairly consistent decline in default rates since FY 1990, some critics feel as if this slight increase is a harbinger of increased defaults in the coming years. Michael Dannenberg, director of education policy at the New America Foundation suggested in a statement to *Inside Higher Education* that the rates are a good indication that “danger lurks ahead.”

“Congress raised interest rates for the year beginning in July 2006 to 6.8 percent for consolidation loans. We may see an even higher default rate this time next year, because of higher government-set student loan interest rates. A higher student loan default rate means higher costs to taxpayers, since the government guarantees student loans against default,” said Dannenberg.

Officials at the Department of Education and members of the student lending community said that while any increase is cause for concern, the numbers remain incredibly low and attributed the small up tick to outside factors.

“While we never like to see an increase...we experienced a similar slight increase in FY 2000 due to the economic conditions at that time. Overall, the CDR continues to trend downward and remains historically low by any standard,” said Terri Shaw, chief operating officer of the Federal Student Aid office.

Joe Belew, president of the Consumer Banker's Association, echoed Spellings and Shaw's sentiments, calling the slight increase a "warning sign" that lenders and the government must continue to improve their default reduction programs that have significantly decreased the rate over the past fourteen years.

"Loan providers have been committed to improving customer service, processing technology and counseling programs to make it easier for students to manage their debt and repay their loans on time. The results of these efforts are reflected in consistently low default rate over the past several years. But we can't afford to relax. Good service and competitive rates are more important than ever as students continue to have to borrow to pay for college," said Belew.

For more information on the 2004 Cohort Default Rate, please click here:

<http://www.ifap.ed.gov/eannouncements/0913CDRBriefing.html>

Financial Services Portal Adds Anticipated Release Date of Highly Sought After Data

The Office of Federal Student Aid added a new feature to the financial services portal this week (www.fp.ed.gov): A list of anticipated release dates for popular data. Included on the list are Default Rates (Guarantor and Lender), Guarantor Reserve Recall (Second Installment), Historic Special Allowance rates, Interest Rates for New Award Year, Reserve Ratios for FFEL guaranty agencies, Top 100 Consolidators, Top 100 Holders, and Top 100 Originators. To view the list, please click here: <http://www.fp.ed.gov/PORTALSWebApp/fp/whatscoming.jsp>

INDUSTRY NEWS

ACE Comments on HERA Regulations

The American Council on Education (ACE) has submitted comments on the Department of Education's recently released interim final regulations related to the Higher Education Reconciliation Act (HERA). ACE's comments specifically cite the regulations the organization supports as well as other regulations it either seeks clarification on or disagrees with.

ACE was supportive of regulations related to distance education; requiring a FAFSA to apply for a PLUS loan for graduate students; and direct assessment. However, regarding direct assessment, ACE commented on how the regulations do not include an explanation of how the Department of evaluate "satisfactory academic progress."

ACE asked to clarify several provisions related to the return of Title IV funds; an interpretation of the new military deferment and if there is in fact a typo regarding eligibility for consolidation.

ACE had specific disagreements with the Department regarding identity theft and income contingent repayment. On identity theft, ACE believes the regulations do not go far enough to protect students that are genuinely victims of identity theft. ACE asked the Department to create a procedure for discharging loans fraudulently made in a student's name and for tracking proceedings of students who are in the midst of proving they are victims of identity theft. Regarding income contingent repayment programs, ACE requested parity between regulations for the Direct and FFEL programs.

To view the entirety of ACE's comments, visit:

http://www.acenet.edu/AM/Template.cfm?Section=Government_Relations_and_Public_Policy&template=/CM/ContentDisplay.cfm&ContentID=18090

NSLP Announces 15 Default Prevention Workshops

This week, the National Student Loan Program (NSLP) announced it will host workshops at 15 sites throughout the country this fall to help financial aid administrators prevent defaults more effectively. The workshops will begin shortly after Department of Education's release of cohort default rates in September and aim to provide practical help for schools in the area of default prevention. The day-long "How Low Can You Go" default prevention workshops are designed to help schools:

- Find out how lenders and guarantors help borrowers avoid default
- Develop a default prevention plan
- Educate borrowers about loan repayment
- Communicate with borrowers who need repayment assistance

At the workshop, schools will also receive NSLP's new "Default Prevention Training Guide" as a practical, take-home reference. For more information on the workshops, please visit <http://www.nslp.org>.

Michigan House Proposes Interest Free Loans for Certain Students

Democrats in the Michigan House of Representatives have introduced legislation that would pay the interest on student loans for graduates in certain high tech fields. The proposal also requires that students stay in Michigan for five years to take advantage of the benefit. The bill's sponsor, Rep. Dianne Byrum, hopes that the bill will create help Michigan residents stay ahead in the global economy.

"The growth sectors and the jobs we need to be training the workforce for today and in the future, rely much more on math and science, we need to be encouraging Michigan students to go into these fields

Harvard Will No Longer Offer Early Admissions

On Tuesday, Harvard University announced that in the year 2007 the school will no longer be accepting early action applications and urged other "elite" universities to do the same. Early action applications allow students to find out if they are accepted to a school in the fall. University officials said that early action programs could be creating problems for campus diversity because lower income and minority students are less likely to use the program and it causes extreme anxiety for more affluent students who do use the program.

Many other institutions have acknowledged the fact that early action programs have become a tool of wealthier students with access to information. Among the peer institutions that have made comments about Harvard's change in policy Princeton has said if the peer institutions decide to follow Harvard's lead, it might make the change, but Yale has said it will continue its early admissions policy.

Minority Enrollments Increase in Grad Schools

On Wednesday, the Council of Graduate School (CGS) released *Graduate Enrollment and Degrees: 1986 – 2005* which revealed that African American enrollment grew by 6 percent overall in 2005, and by 11 percent in Engineering programs. First-time Hispanic enrollment was up 10 percent, with Hispanic enrollment in Biological Science increasing by 16%. While CGS President Debra Stewart was encouraged by the gains in participation of minority students she was cautious against complacency.

“Increasing enrollment of under-represented groups in graduate school, especially in science and engineering fields, is critical to maintaining America’s economic competitiveness in the 21st century,” said Stewart.

Equifax to Offer Identity Theft Services, Insurance to LSU Community

Louisiana State University announced this week it had entered into an agreement with Equifax Consumer Services Inc. to provide identity theft services and insurance for students, faculty, and staff. Under the agreement, Equifax will provide members of the LSU community with free daily credit report monitoring and provide \$2,500 in identity theft insurance should a data breach occur. The university also said that the agreement might protect it from liability claims in the event of an incident involving personal data.

Coalition Update

The Committee for Education Funding (CEF), the Student Aid Alliance (SAA) and the American Council on Education (ACE) have resumed activities after their August recess. ACE is focusing its efforts on determining if the Higher Education Act will be reauthorized this year. SAA is joining CEF in focusing on FY2007 appropriations, particularly the prospects for an omnibus appropriations bill late this year.

CEF will also hold its annual legislative conference and gala on September 19. Several members of the COHEAO Board of Directors will be representing COHEAO at the event as well as making visits to many Congressional offices in order to advocate for Perkins Loan appropriations and continued support through the HEA reauthorization progress.

2006 COHEAO Board of Directors

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September 8, 2006

Gail McLarnon
U.S. Department of Education
P.O. Box 33185
Washington, DC 20033-3185

Subject: HERA Interim Final Comments

Dear Ms. McLarnon:

Thank you for the opportunity to comment on the Interim Final Regulations that implement the Higher Education Reconciliation Act of 2006, which were published in the Federal Register, on August 9, 2006. The Coalition of Higher Education Assistance Organizations (COHEAO) recognizes the tight timetable that the Department of Education has had to follow in writing these regulations while also issuing subregulatory guidance so that the many provisions of the HERA can be put into effect. COHEAO does not have comments on the majority of the Interim Final Regulations, but does have comments on two specific areas that affect the administration of the Federal Perkins Loan Program.

1. The Department has amended Section 674.39 so that it now requires institutions to specifically exclude from its loan rehabilitation program “. . . loans obtained by fraud for which the borrower has been convicted of, or has pled nolo contendere or guilty to, a crime involving fraud in obtaining title IV, HEA program assistance.” Although the Interim Final Regulations cite Section 8021(a) of the HERA, which amends Section 484(a) of the Higher Education Act (HEA), Section 464(h) of the HEA does not preclude a borrower from rehabilitating a loan if the requirements of that section are met. Thus, COHEAO was unable to identify a statutory basis for the inclusion of this amendment to the regulations and, thereby, respectfully requests that the Department delete the amendment to Section 674.39 contained in the Interim Final Regulations.

In addition, we must point out that institutions have no reasonable way of knowing whether a borrower has been convicted of, or has pled nolo contendere or guilty to, a crime involving fraud in obtaining title IV, HEA program assistance. Institutions could require borrowers to self certify that fact, but there would be no guarantee of a truthful response. Moreover, institutions do not have ready access to a database of such crimes in order to verify the accuracy of the borrower’s certification.

The amendment to Section 474.39 should be deleted since institutions are not in a position to comply, and it does not appear that Congress had intended to add such an administratively burdensome requirement to the Federal Perkins Loan rehabilitation regulations.

2. COHEAO requests that the Department reconsider its implementing regulations to allow deserving borrowers who have served their country in a military contingency operation to receive the new military deferment on all their outstanding Federal Perkins Loans — if at least one loan meets the criterion of having the first disbursement made on or after July 1, 2001. In the Federal Perkins Loan Program, no

federal interest subsidy cost is involved; therefore, there is no cost rationale for restricting the loans eligible for this military deferment to only those for which the first disbursement was on or after July 1, 2001. The statute does not preclude this interpretation, and it is much clearer and, we believe much fairer to borrowers and a more logical approach.

COHEAO thanks the Department for allowing the higher education community the opportunity to comment on these interim final regulations and urges the Department to give serious consideration to the requests made. Should further clarification of our comments and requests be needed, please feel free to contact Harrison Wadsworth at 202-289-3910.

Sincerely,
Robert Perrin
Vice President

On behalf of the Board of Directors and Members of the Coalition of Higher Education Assistance Organizations

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