



# The Torch

July 22, 2005

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

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## COHEAO News

### Senator Cantwell Writes Letter in Support of Perkins Loan Program

On July 14, Senator Maria Cantwell (D-WA) wrote a letter to Senators Mike Enzi (R-WY), chairman of the Health, Education, Labor and Pensions (HELP) committee, and Edward Kennedy (D-MA), ranking member on the HELP Committee advocating for the continuation of the Perkins Loan Program. The letter is an important show of support as authorizers continue to draft legislation to reauthorize the Higher Education Act of 1965.

The entire Dear Colleague letter and a cover letter is attached.

**COHEAO urges all members to call and/or e-mail Senators and ask them to sign on to the Cantwell Perkins Loan Dear Colleague letter.** The deadline for signing was extended to Thursday, July 28.

A listing of all Senators is available here:

[http://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm](http://www.senate.gov/general/contact_information/senators_cfm.cfm)

If you have any questions about contacting your Senator, please contact Andrew Stringer at [astringer@wpllc.net](mailto:astringer@wpllc.net) or Joan Coyle at [jcoyle@wpllc.net](mailto:jcoyle@wpllc.net).

### It's Not Too Late to Register for the COHEAO Mid-Year Conference

The 2005 COHEAO Mid-Year Conference is almost here, so be sure to register today. The 2005 Mid-Year Conference will take place in sunny Newport Beach California and will feature important information on the status of the Perkins Loan Program and what you can do to ensure that Congress continues this important student aid program.

The conference will feature presentations from:

- Representative Howard "Buck" McKeon;
- Fred Galloway, University of San Diego;
- Pam Moran, Department of Education;
- Gail McLarnon, Department of Education;
- Sue O'Flaherty, Department of Education;
- Nicole Barry, Advisory Committee on Student Financial Assistance;
- Richard Metz, California State University, East Bay; and
- Nancy Coolidge, University of California, Office of the President;
- Bill Cantalope, Enterprise Recovery Systems;
- David Stocker, General Revenue Corporation;
- Harrison Wadsworth, COHEAO; and
- Andrew Stringer, COHEAO.

To register, visit <http://www.coheao.org> or complete the attached registration form. If you have any questions concerning hotel arrangements, please contact Andrew Stringer at [astringer@wpllc.net](mailto:astringer@wpllc.net).

## **COHEAO Continues Grassroots Activities In Support Of Perkins**

With Higher Education Act reauthorization finally starting to move forward and the appropriations process well underway, COHEAO has continued to press ahead with its grassroots and media activities in support of the Perkins Loan Program. The focus is on the House Education and Workforce Committee, the Senate Health, Education, Labor and Pensions Committee, and the Appropriations Committees.

COHEAO members are urged to visit [www.coheao.org](http://www.coheao.org) to see information on what to do, or contact your COHEAO Grassroots Action Network captain. Please contact House members and Senators to support the Perkins Loan program.

## **COHEAO Compares Loan Cancellation Benefits**

COHEAO has created a new one-page document comparing loan cancellation benefits between Perkins Loans (a long list) and Stafford Loans (a very short list). This document aids in making the case that the Perkins Loan Program is not duplicative of other loan programs. The comparison is attached to *The Torch*.

## **COHEAO Membership Drive Continues**

All COHEAO members are encouraged to urge their colleagues who are not yet part of our organization to consider joining. We have strength in numbers. Working together and with our allies, we think the battle to save the Perkins Loan program is turning in our favor, but our work is far from done. We need the support of as many Perkins Loan Program participants as possible to strengthen our organization and our cause.

New members can sign up quickly and easily by going to [www.coheao.org](http://www.coheao.org) and clicking on the “Join COHEAO” bar on the left, or they can contact COHEAO staff: [astringer@wpllc.net](mailto:astringer@wpllc.net), [jwolfe@wpllc.net](mailto:jwolfe@wpllc.net), [jcoyle@wpllc.net](mailto:jcoyle@wpllc.net) or [hwadsworth@wpllc.net](mailto:hwadsworth@wpllc.net).

## **Online Letter-Sending Tool Aids COHEAO Grassroots Campaign**

COHEAO’s web-based system for contacting your Representatives and Senators has resulted in hundreds of additional letters being sent to Congress. To use the system, visit <http://www.coheao.org> and click on the “Click HERE to send a letter to Congress” link. From there, click on the letter you wish to send and follow the instructions. Simply enter your zip code and the system sends the letter to the correct Senators and Representatives. Be sure to customize the letter in the appropriate sections before clicking “send.”

COHEAO encourages individuals to share the system with as many people as possible. The new system is a good way for students to write quick letters to senators and representatives explaining how important the Perkins Loan Program is. If you have any questions about the system, contact Andrew Stringer at [astringer@wpllc.net](mailto:astringer@wpllc.net).

Also, please continue to use the draft letters available on the COHEAO website. When using the letters, customize them to fit your school or company, including placing the letter on your letterhead, if possible. [If you are not permitted to use letterhead for this purpose, please send the letter on plain paper on your own behalf, simply noting where you work.] It is important to point out that the Perkins Loan Program helps students in your campus and state. In the letter are suggested places to insert this information. At the end, please put down how you can be contacted. Also, if you are at an institution, please get students to send letters designed for them, and ask their parents to send letters too.

Also attached, as usual, are talking points on Perkins with the chart of the state-by-state allocation of Perkins Loans. To obtain information on the Perkins Loan Program specific to a specific school, go to this address in the Department of Education's IFAP web site:

<http://www.ifap.ed.gov/cbpmaterials/0405CBCongreportApril8CoverLtr.html>. At the bottom of the document are links to information on Perkins FCC awards broken down by individual school, with state totals. If you have any questions or need help accessing the information, contact Andrew Stringer at [astringer@wpllc.net](mailto:astringer@wpllc.net) or 202-289-3903, Joan Coyle at [jcoyle@wpllc.net](mailto:jcoyle@wpllc.net) or Harrison Wadsworth at [hwadsworth@wpllc.net](mailto:hwadsworth@wpllc.net).

We also ask that you send the COHEAO office a copy of your letter after you have sent it. You can e-mail the letter to [astringer@wpllc.net](mailto:astringer@wpllc.net), [jcoyle@wpllc.net](mailto:jcoyle@wpllc.net) or [hwadsworth@wpllc.net](mailto:hwadsworth@wpllc.net) or fax it to 202-371-0197 or mail it to us at the address below.

Again, if you need any assistance or have any questions, please call 202-289-3903.

### **Dress for Summer with Something from the COHEAO Store**

Update your summer wardrobe at the COHEAO online 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**

### **House Education and the Workforce Committee Reauthorizes Perkins Loan Program**

On Friday, July 22 the House Education and the Workforce Committee passed H.R. 609, the College Access and Opportunity Act with amendments. The legislation reauthorizes the Perkins Loan Program and increases Perkins Loan limits to \$5,500 for undergraduates and \$8,000 for graduates. The bill was reported out of committee by a party line vote of 27 to 20, with one Committee member voting “present.” (The no votes, all by Democrats, had nothing to do with Perkins Loans being reauthorized but were due to dissatisfaction with a variety of other provisions.)

During the mark up, no Representative offered an amendment to eliminate the Perkins Loan Program.

Although the bill represents a strong endorsement of the FFEL program, significant budget cuts in the bill are leaving most loan providers less than enthusiastic.

The bill achieves a net savings in the FFEL program of more than \$11 billion according to informed sources. No official budget score has been released.

A large portion of the Bush Administration’s FY 2006 budget proposals on student loans is included in the legislation, including the following elimination of regular floor income, ending 9.5%/half SAP special allowance, and increasing lender risk sharing.

The bill also includes repeal of the single holder rule, a legislative objective of major loan consolidation companies over the last four years.

Under the bill, borrowers will continue to receive Stafford Loans at a variable interest rate based on the 90 day Treasury bill, but will have the option of either a fixed or a variable rate consolidation loan.

The committee rejected efforts to allow for “reconsolidation.”

Lenders represented by the Consumer Bankers Association described themselves as pleased that the Committee reported H.R. 609 and rejected an amendment by Rep. Tom Petri (R-WI) based on the Student Aid Reward Act.

With the bill reported from Committee, attention now turns to when the bill may be considered by the full House of Representatives. Some observers suggested the party line split on final passage could undermine chances of action this year. Others expect the bill to be considered in September.

The Senate is continuing work on a reauthorization bill and is now expected to introduce a bill in September for action by the full Senate prior to Congress adjourning for the year in October.

A complete summary of all amendments offered during the three-day mark up and COHEAO’s press release is attached to *The Torch*.

### **Amidst Scandal, Cunningham Will Not Seek New Term**

In the midst of a federal investigation involving the sale of his \$1.675 million home to a military contractor, Representative Randy Cunningham (R-CA) said Thursday that he would not seek reelection next year. Rep. Cunningham has served an eight-year term in Congress. He released a statement:

“I do not believe that a political campaign in the midst of such an investigation is in the best interest of my family or my constituents. I learned in Vietnam no one person is more important than the mission, and I do not intend to forget that lesson now.”

Cunningham serves on the House Appropriations Committee and on the Subcommittee on Labor, Health and Human Services and Education and the Subcommittee on Defense. He was the author of a controversial amendment during the last Congress that attempted to repeal the single holder rule for consolidation loans.

### **New Identity Theft Legislation Introduced in the Senate**

Last week, Senator Gordon Smith (R-OR) was joined by Senators Ted Stevens (R-AK), John McCain (R-AZ), Daniel Inouye (D-HI), Mark Pryor (D-AR), and Bill Nelson (D-FL), to introduce the Identity Theft Protection Act (S. 1408), a bill to strengthen data protection and safeguards, require data breach notification, and further prevent identity theft. The law would prohibit the solicitation of social security numbers from individuals where there is no specific purpose and which no other identifying number reasonably can be used, including for use on items such as identification cards used by schools, business, and companies and on drivers’ licenses. It also includes a provision to allow consumers to place a security freeze on his or her credit report to prevent a consumer’s credit report from being released to a third party without authorization from the consumer. The law would also preempt state laws and require companies that experience loss or theft of data on more than 1,000 people to notify affected persons or pay up to \$11 million per incident. According to the *Washington Post*, Stevens, Commerce Committee Chairman, said he would like to fast-track the legislation, skip hearings and move the legislation straight to a committee vote.

## **INSIDE ED AND THE ADMINISTRATION**

### **Department Releases New Perkins Loan Default Reduction Assistance Program**

In a July 7 Dear Colleague letter, the Department of Education announced a new Default Reduction Assistance Program (DARP) for the Perkins Loan Program. The DARP is a process where a Perkins Loan borrower in default, but before the account has been sent to a collections agency, receives a letter from the Department of Education warning him or her of the consequences of defaulting on the loan.

The changes in the program no longer require a school to do the following:

- Manually request a DARP package;
- Create a DARP file; and
- Submit DARP-related materials to the Department of Education by way of the Student Aid Internet Gateway (SAIG).

To view the Dear Colleague letter, and responses to frequently asked questions that accompanies it, visit: <http://ifap.ed.gov/dpcletters/CB0511Revised.html>

### **Department Releases Slides from 2005 NASFAA Conference**

The Department of Education has made available slides from several presentations from the 2005 National Association of Student Financial Aid Administrators (NASFAA) Conference.

To view slides from the “Title IV Consolidation Loans – Update after July 1, 2006” presentation visit: <http://ifap.ed.gov/presentations/05NASFAATitleIVConsLoans.html>

To view slides from the “NSLDS Update” presentation visit: <http://ifap.ed.gov/presentations/05NASFAANSLDS.html>

### **Department Discusses Issues with EDconnect 7.0 Software**

On July 14, the Department of Education acknowledged three issues that are hampering performance of the EDconnect 7.0 system. While these are non-critical issues, the Department has promised that a 7.1 version will soon be released, correcting the problems. In the meantime, the Department has suggested temporary solutions to correct the following problems:

- “.cmp” files do not automatically delete;
- The failure of EDconnect to combine files under the Message Class Manager feature; and
- Inaccurate file size listed in the Activity Log screen.

For more information on the problems and their suggested solutions, visit: <http://ifap.ed.gov/eannouncements/0714EDconnect7.html>

### **Department Releases 2005-2006 ISIR Analysis Tool**

On July 1, the Department of Education released the 2005-2006 Institutional Student Information Record (ISIR) Analysis Tool. The tool will allow users to review and analyze their ISIR data system as well as their students receiving Title IV federal student aid. For more information on the ISIR Analysis Tool, visit: <http://ifap.ed.gov/eannouncements/0701ISIRAnalysisTool0506.html>

## **INDUSTRY NEWS**

### **Media Focuses on Debate Over Perkins Loan Program**

As the House Education and the Workforce Subcommittee on 21<sup>st</sup> Century Competitiveness marked up legislation to reauthorize the Higher Education Act (HEA), national media outlets focused on the President and Department of Education's proposal to eliminate the Perkins Loan Program. Although the Perkins Loan Program was reauthorized in the legislation as it moved through the Subcommittee and full Education and the Workforce Committee, many students and student advocates were concerned that the Representatives would offer amendments to eliminate the Perkins Loan Program and use the savings to either pay down the deficit or to help pay for other programs, such as the President's proposed \$100 increase in the Pell Grant maximum award.

On July 12, CNN.com ran a story quoting Harrison Wadsworth, speaking for the Coalition of Higher Education Assistance Organizations, saying, "It is just going to hurt students who need the financing to pay for college...I think it will prevent some low-income students from being able to attend school." Stephanie Geisecke, director of budget and appropriations at the National Association of Independent Colleges and Universities added, "For a student who gets a full (financial aid) package [the potential elimination is] a big hole to fill."

### **Coalition Update**

House mark ups of legislation to reauthorize the Higher Education Act of 1965 (HEA) has dominated the activities of the Student Aid Alliance (SAA) and the American Council on Education (ACE). These two organizations have rapidly disseminated information and analysis of amendments offered at the mark ups. These groups worked with several Congressional offices as members of the House Education and the Workforce Committee worked together to craft compromise amendments that satisfied as many constituencies as possible.

The Committee for Education Funding (CEF) has focused its attention on FY2006 appropriations, specifically the Senate Labor, Health and Human Services and Education bill. CEF will continue to support amendments to increase education funding as the bill is considered on the Senate floor and will advocate for the best possible outcome for education if/when the House and Senate conference final appropriations bills.

## **COHEAO Mid-Year Conference Agenda 2005**

*All Meetings and Sessions Are At the Hyatt Regency Newport Beach Unless Noted Otherwise*

*Draft Current as of 7/19/05*

### **Saturday, July 30**

- 12:00pm – 4:00pm** Perkins Task Force Meeting
- 4:00 pm – 6:00 pm** Commercial Members Meeting

### **Sunday, July 31**

- 8:30am – 4:00pm** Board of Directors Meeting
- 4:00pm - 6:00pm** Registration
- 6:00pm - 8:00pm** Welcoming Reception: Good Food and Fun Beverages

### **Monday, August 1**

- 8:00am – 3:00pm** Registration
- 8:00am - 8:45am** Continental Breakfast
- 8:45am - 9:00am** Welcome  
Alisa Abadinsky  
COHEAO President
- 9:00am - 10:00am** Session: An Update on the Status of the Perkins Loan Program
- 10:00am - 10:15am** Break
- 10:15am – 11:15am** Session: A Panel Discussion of Current Consolidation Loan Issues
- 11:15am - 12:15pm** Session: Discussion of the Advisory Committee on Student Financial Assistance's Simplification Study
- 12:15pm - 1:45pm** Luncheon: Fred Galloway

**2:00pm – 3:00pm**     Session: New Data Privacy, Security and Protection Issues

**3:00pm – 3:30pm**     Dessert Break

**3:30pm - 4:30pm**     Keynote Address: Representative Howard “Buck” McKeon (R-CA)

**Tuesday, August 2**

**7:30am - 8:15am**     Continental Breakfast

**8:15am – 9:15am**     Session: The Department of Education’s ADvance system

**9:15am - 10:15am**     Session: The Department of Education’s View on Higher Education Reauthorization

**10:15am - 10:30am**     Break

**10:30am - 11:30am**     Session: Skip Tracing and Other Loan Collection Issues

**11:30am – 12:30am**     Session: COHEAO Grassroots Action Network Activities



# Register Today for the 2005 COHEAO Mid-Year Conference

July 31 - August 2, 2005  
at the Hyatt Regency Newport Beach  
1107 Jamboree Road  
Newport Beach, CA 92660

## THREE WAYS TO REGISTER NOW AVAILABLE

1. ONLINE at <http://www.coheao.org>.  
*credit card payment available only online*
2. By fax: 202-371-0197
3. By mail: COHEAO, 1101 Vermont Ave., NW, Suite 400,  
Washington, DC, 20005

Name:

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Title:

---

Organization:

---

Address:

---

City:

---

State:

Zip:

---

Email:

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All Members - \$395

Non-Members (Organizational and Institutional) - \$495

Non-Members Commercial - \$1,500

Onsite registration is \$420 for members, \$520 for institutional and organizational non-members and \$1,525 for commercial members. Please send check or money order for appropriate amount to COHEAO, 1101 Vermont Ave, NW, Suite 400, Washington, DC, 20005 or pay online via credit card at [www.coheao.org](http://www.coheao.org).

To ensure that you receive the **SPECIAL COHEAO Mid-Year Conference HOTEL ROOM RATE OF \$149** call the Hyatt Regency Newport Beach at 949-729-1234 for reservations before June 29. Be sure to mention that you are attending the Coalition of Higher Education Assistance Organizations Mid-Year Conference.

Refunds - Requests for refunds will be honored only if notification of cancellation is received five business days before the conference. Registrants who fail to cancel will not be refunded their registration fee. With at least ten business days notice, the full registration fee may be applied to a future COHEAO conference. A \$50.00 administrative fee will be charged for all cancellations. No refund request will be honored after the conference. Substitutions may be made if registrant cannot attend. Please notify COHEAO of substitutions by fax 202-371-0197; e-mail [astringer@wpllc.net](mailto:astringer@wpllc.net); or telephone 202-289-3910.

July 7, 2005

Dear Colleague:

Please join us in sending the attached letter to the Chairman and Ranking Member of the Education and Workforce Committee, urging them to reject the Administration's proposal to terminate the Perkins Loan program and to recall, over ten years, \$6 billion in federal capital contributions to the Perkins revolving loan funds of nearly 1,800 colleges.

The Perkins Loan program has operated effectively for nearly 50 years, providing financial assistance to more than 10 million students. These loans are available for undergraduate, graduate, and professional studies and include important loan forgiveness provisions critical to addressing national needs in the areas of teaching, nursing, and public safety. Colleges and universities administer Perkins Loans and make institutional contributions to the revolving loan funds. Attaining a college education will become exponentially more difficult for the more than 630,000 students who received Perkins Loans last year as well the hundreds of thousands of future students if we fail to maintain this critical program.

At a time when other forms of financial aid are failing to keep pace with the rapidly rising costs of tuition, it simply makes no sense to terminate such a successful program that has helped finance the college education of millions of American students for nearly 5 decades.

If you would like to sign this letter, please contact William Peche in Rep. Cuellar's office at x51640 or Jean Doyle in Rep. Lowey's office at x56506.

Nita Lowey  
Member of Congress

Henry Cuellar  
Member of Congress

July, 2005

Honorable John Boehner  
Chairman  
Committee on Education and  
the Workforce  
U. S. House of Representatives  
Washington, D. C. 20515

Honorable George Miller  
Ranking Member  
Committee on Education and  
the Workforce  
U. S. House of Representatives  
Washington, D. C. 20515

Dear Chairman Boehner and Ranking Member Miller:

As your Committee begins to consider the reauthorization of the Higher Education Act and reconciliation instructions under the Budget Resolution, we urge you to reject the Administration's proposal to terminate the Perkins Loan program and recall \$6 billion in federal capital contributions to the Perkins revolving loan funds by nearly 1,800 colleges. Attaining a college education will become exponentially more difficult for the more than 630,000 students who received Perkins Loans last year as well as for hundreds of thousands of future students if we fail to maintain this critical program.

The Perkins Loan program has operated effectively for nearly 50 years, providing financial assistance to more than 10 million students. Perkins Loans are available for undergraduate, graduate, and professional studies and include important loan forgiveness provisions critical to addressing national needs in the areas of teaching, nursing, and public safety. Colleges and universities administer the loans and make institutional contributions to the revolving loan funds.

Perkins recipients have always known—and quite frankly expected—their repayment to help future students. At a time when the cost of higher education is rapidly increasing and other forms of financial aid are becoming more difficult to obtain, we strongly urge you to reject any proposal to terminate the vital Perkins Loan program.

Sincerely,

---

Nita Lowey  
Member of Congress

---

Henry Cuellar  
Member of Congress

## 2005 COHEAO Board of Directors

### Alisa Abadinsky

President

University of Illinois at Chicago  
809 S. Marshfield Ave. M/C 557  
Chicago, IL 60612  
312-413-1971  
Fax: 312-413-1992  
[abadins@uic.edu](mailto:abadins@uic.edu)

### Bob Caruso

Treasurer

University of California Los Angeles  
UCLA Wilshire Center, Suite 720  
10920 Wilshire Boulevard  
Los Angeles, CA 90024-6509  
310-794-2976  
Fax: 310-794-2826

### Jeanne Dotson

Past President

Concordia College  
901 S. 8<sup>th</sup> St.  
Moorhead, MN 56562  
218-299-3323  
Fax 218-299-4357  
[dotson@cord.edu](mailto:dotson@cord.edu)

### Jackie Ito-Woo

Member-at-Large

University of California  
Office of the President  
Student Financial Support  
1111 Franklin St., 9<sup>th</sup> Floor  
Oakland, CA 94607-5200  
510-987-9544  
Fax: 510-987-9546  
[jackie.ito-woo@ucop.edu](mailto:jackie.ito-woo@ucop.edu)

### Lori Hartung

Legislative Co-Chair, Perkins Task Force  
Todd, Bremer & Lawson  
P.O. Box 808  
Rock Hill, SC 29731-6808  
800-849-6669  
Fax: 803-328-8242  
[lori.hartung@tbandl.com](mailto:lori.hartung@tbandl.com)

### Robert Perrin

Vice President

Williams & Fudge, Inc.  
775 Addison Avenue, Suite 201  
Rock Hill, SC 29731  
803-329-9791 x 2104  
Fax: 803-329-0797  
[bperrin@wfcorp.com](mailto:bperrin@wfcorp.com)

### Bob Frick

Secretary

University Accounting Service  
200 S. Executive Drive, 3<sup>rd</sup> Fl  
Brookfield, WI 53005  
800-340-1526  
Fax: 262-784-9014  
[Bob.Frick@osioutsourcing.com](mailto:Bob.Frick@osioutsourcing.com)

### John Lynch

Member-at-Large

Educational Computer Systems Inc.  
181 Montour Run Road  
Coraopolis, PA 15108  
Ph: 412-788-3900  
[jlynch@ecsi.net](mailto:jlynch@ecsi.net)

### Ralph Hosterman

Member-at-Large

Pennsylvania State University  
108 Shields Building  
University Park, PA 16802  
814-865-0461  
Fax 814-865-6535  
[rrh2@psu.edu](mailto:rrh2@psu.edu)

### Michael Kahler

Legislative Co-Chair, Technology  
Windham Professionals

60 Normandy Drive  
Lake St. Louis, MO 63367  
800-969-0059, ext. 2909  
Fax: 636-625-0231  
[mkahler@windhampros.com](mailto:mkahler@windhampros.com)

### Tom Schmidt

Membership Co-Chair, Institutional

University of Minnesota  
20 Fraser Hall  
106 Pleasant Street, SE  
Minneapolis, MN 55455  
612-625-1082  
Fax: 612-624-2873  
[t-schm@sossgw.stu.umn.edu](mailto:t-schm@sossgw.stu.umn.edu)

Nora Corralez  
Legislative Co-Chair, Regulations and NPRM  
ACS, Inc.  
One World Trade Center, Suite 2200  
Long Beach, CA 90831-2200  
310-513-2715  
Fax: 310-847-5050  
[nora.corralez@acs-inc.com](mailto:nora.corralez@acs-inc.com)

David Barton  
Membership Co-Chair, Commercial  
CBE Group  
P.O. Box 900  
Waterloo, IA 50704  
800-925-6686  
Fax: 319-833-1014  
[dabarton@cbegroup.com](mailto:dabarton@cbegroup.com)

Robert Matter  
Membership Co-Chair, Alliance  
Conserve  
700 Perinton Hills Office Park (Bx 7)  
Fairport, NY 14450-0007  
585-421-1000 x 4451  
Fax: 585-421-1028  
[rmatter@conserve-arm.com](mailto:rmatter@conserve-arm.com)

David Stocker  
Commercial Chair  
General Revenue Corporation  
11501 Northlake Drive  
Cincinnati, OH 45249  
513-469-1472 x 2084  
Fax: 513-469-1468  
[dstocker@generalrevenue.com](mailto:dstocker@generalrevenue.com)

Carol Tiffany  
Operations and Budget Chair  
Harvard University  
584 Holyoke Center  
1350 Massachusetts Avenue  
Cambridge, MA 02138  
617-495-0802  
Fax: 617-495-1858  
[carol\\_tiffany@harvard.edu](mailto:carol_tiffany@harvard.edu)

Harrison Wadsworth  
Executive Director  
Washington Partners, LLC  
1101 Vermont Ave. N.W. Suite 400  
Washington, DC 20005-3521  
202-289-3903  
Fax 202-371-0197  
[hwadsworth@wpllc.net](mailto:hwadsworth@wpllc.net)



**Coalition of Higher Education Assistance Organizations**  
**1101 Vermont Avenue N.W., Suite 400**  
**Washington, D.C. 20005-3586**  
**(202) 289-3910 Fax (202) 371-0197**

### **Perkins Loan Program Cancellation Benefits**

Since the inception of the Federal Perkins Loan Program in 1958, approximately \$1.16 billion in Perkins Loans have been forgiven for students who took advantage of program benefits by working in public service professions. Funding the Perkins Loan Cancellation Reimbursements at \$120 million in FY2006 will fully reimburse participating institutions for canceling Perkins Loans.

The Perkins Loan cancellation program is more extensive and flexible compared to loan cancellation benefits under the Stafford Loan program. Perkins Loan holders receive cancellation benefits after their first year of service and continue to receive increasing levels of loan cancellation for each subsequent year of service. Stafford loan holders only receive a lump sum at the end of five consecutive years of service.

The following compares loan cancellation eligibility between the two programs.

#### **Perkins Loans**

1. Full-time teacher in a school in a Title I eligible school district
2. Full-time staff in a Head Start program
3. Full-time special education teacher (all schools)
4. Teacher of math, science, foreign language, bilingual or any other subject a state determines there is a shortage of
5. Full-time early intervention service provider (under IDEA)
6. Service provider to high-risk and/or low-income children
7. Nurse or medical technician
8. Member of the armed forces in an area of hostility
9. Peace Corps volunteer
10. Local, state or federal law enforcement or corrections officer

#### **Stafford Loans**

1. Math, science, reading or special education teacher in a school in a Title I eligible district
2. Families of victims of the September 11 terrorist attacks

## **STUDENTS NEED PERKINS LOANS: PRESERVE THEM AND FUND THEM**

### **Save the Perkins Loan Program**

- The President's proposed budget for fiscal year 2006 has no funds for the Perkins Loan program and would stop schools from lending existing funds. This would make college less affordable to millions of students who depend on the nation's first student loan program.
- The demand for Perkins Loans always outstrips the supply of loan funds. Stafford Loans are not a substitute; their loan limits – even with the President's proposed increase for freshmen and sophomores -- are far too low for many students. Every Perkins Loan dollar goes to a student who needs it. More than 600,000 students got Perkins Loans this year to help pay for their education.
- Raising the Pell Grant \$100 a year, although desirable, is no substitute for the Perkins Loan program, where the average loan is over \$2,000.
- Graduate students are not eligible for Pell Grants – they would be hurt even more by eliminating Perkins.
- Without Perkins Loans, students would be forced to borrow from high-cost alternative sources, such as credit cards or private education loans. Since these loans require good credit or a co-signer with good credit, many low- and even middle-income students are turned down.
- Throughout the history of the Perkins Loan Program, \$7.8 billion in federal contributions has been leveraged to award over \$25.7 billion in loans to students through almost 25 million aid awards.

### **Fund the Federal Capital Contribution and the Loan Cancellation Accounts**

- The \$100 million requested by COHEAO and the Student Aid Alliance for the annual Federal Capital Contribution for Perkins would result in at least \$125 million in new capital for students because schools must match 25% of the federal dollars with their own funds. Many match more than the minimum.
- Federal funding for Perkins Loans is an appropriation that feeds on itself and builds, starting with a school match of a share of the federal funds and continuing for years as the loans are repaid and re-lent.
- Without the federal contribution and its minimum school matches, almost 63,000 additional low-income students across the country won't receive the loans they need for higher education. (\$125 million divided by the average Perkins loan of \$2,000). Failing to fund the contribution means that students from every state will be left out.
- Since the inception of the Federal Perkins Loan Program in 1958, approximately \$1.16 billion in Perkins Loans have been forgiven for students who took advantage of program benefits by working in 12 different public service professions, such as teaching, nursing, the military, law enforcement, corrections and the Peace Corps. Stafford Loan forgiveness is only available for certain teachers.
- For More Information: see [www.coheao.org](http://www.coheao.org) or contact COHEAO: Harrison Wadsworth at [hwadsworth@wpllc.net](mailto:hwadsworth@wpllc.net), Andrew Stringer at [astringer@wpllc.net](mailto:astringer@wpllc.net), or call 202-289-3910.

# **THE PERKINS LOAN PROGRAM**

## **Who is Eligible?**

Undergraduate and graduate students are eligible for Perkins Loans, without regard to their credit rating. A school must give priority to students with exceptional financial need. Before an undergraduate student can receive a loan, the school must determine his or her eligibility for a Federal Pell grant. A student who has earned a bachelor's or first professional degree may receive a Perkins Loan to pursue an additional undergraduate degree provided that he or she meets the eligibility requirements and has not borrowed the maximum amounts. A student engaged in a program of study abroad also may be eligible for a Perkins Loan. Foreign students are not eligible.

## **Favorable Loan Terms**

**Perkins Loans have an interest rate of 5 percent, which begins to accrue 9 months after the borrower ceases to be a student. The loans serve as a unique policy tool to encourage workers to go where they are most needed. Loans can be cancelled for teachers in low-income or shortage areas, or of special education, math, science, foreign languages or in Head Start. Forgiveness is also available to people who work in law enforcement, VISTA, the Peace Corps, the armed forces, or as social workers serving high-risk children.**

## **Program Success<sup>1</sup>**

In the 2003-2004 academic year, according to the Department of Education, 630,000 students borrowed \$1.46 billion in Perkins loans, with an average amount of \$2,003 awarded per student. As of June 30, 2003, the Perkins Loan Program had a cohort default rate of 8.85 percent<sup>2</sup>, which is low when compared to other federal loan programs and is extremely impressive when you consider the targeted borrower population. The success of the program is a result of the central role of the educational institution that originates the loan, counsels the borrower through repayment, and selects contractors for servicing and collection. The educational institutions tailor their programs to best fit their borrowers' needs. Perkins is a risk-sharing program where institutions provide a match of at least 25% to all federal funds that they receive. Many institutions contribute more than the 25% minimum. This "ownership interest" contributes to the successful management of this vital program.

**Since the inception of the Federal Perkins Loan Program in 1958, over \$27 billion dollars in loans have been made to students through almost 25 million aid awards. The revolving fund concept has been successful, especially when it is considered that federal contributions to the program total \$7.8 billion. The Federal Perkins Loan Program has provided substantial loan assistance to millions of students and families across the country.**

## **Additional Information**

For additional information about the Federal Perkins Loan Program contact:

**Harrison Wadsworth  
COHEAO Executive Director  
202-289-3910**

*Prepared by the Coalition of Higher Education Assistance Organizations (COHEAO)*

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<sup>1</sup> See <http://www.ed.gov/finaid/prof/resources/data/databook2003/index.html>

<sup>2</sup> See <http://www.ed.gov/finaid/prof/resources/data/databook2003/index.html>

# Federal Perkins Loan Program Fact Sheet

## Program Overview

The Federal Perkins Loan Program, formerly the National Defense Student Loan Program, was first authorized by the National Education Act of 1958. The program offers low interest rates to students of higher education institutions through campus-based revolving funds. New funds are added to the revolving fund by federal capital contributions and matching contributions by institutions.

## Why Perkins?

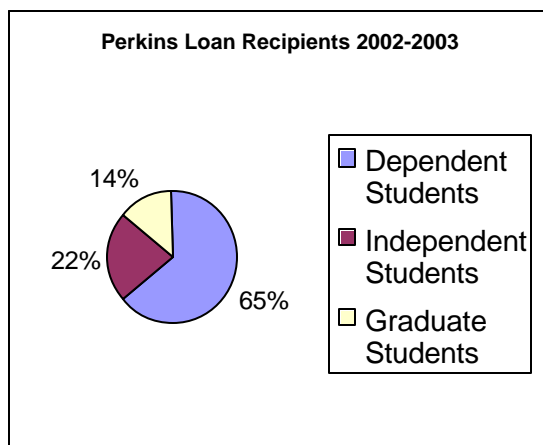
The program fosters access to post-secondary education for low-income students by providing low interest loans with favorable terms during a period of limited grant availability.

## Perkins Borrowers Are Unique<sup>3</sup>

Perkins Loan borrowers are predominantly from lower income families or from financially strapped middle income families. These students are often the first in their family to attend college. The following graph depicts the percentages of Perkins Loan borrowers: Families with Dependent Students (64% of borrowers), Independent Students (22% of borrowers), and Graduate Students (14% of borrowers).

**Families with Dependent Students comprise the largest percentage of Perkins borrowers. During Award Year 2002-2003, 29% of these families had an income under \$30,000, and an additional 44% of these families had incomes between \$30,000 and \$60,000**

Twenty-two percent of Perkins Loan borrowers are independent students. Fifty-two percent of these students have incomes below \$12,000 with an additional 19% falling in the \$12,000-\$19,999 income range. Thus, 71% of independent students have incomes less than \$20,000.



### **Income Facts about Perkins Loan Recipients 2002-2003:**

- 29% of Families with Dependent Students have incomes below \$30,000.
- 52% of Independent Students have incomes below \$12,000.
- 71% of Independent Students have incomes below \$20,000.

<sup>3</sup> See <http://www.ed.gov/finaid/prof/resources/data/databook2003/index.html>



**Coalition of Higher Education Assistance Organizations**  
**1101 Vermont Avenue N.W., Suite 400**  
**Washington, D.C. 20005-3586**  
**(202) 289-3910 Fax (202) 371-0197**

### RATING THE RATING TOOL: "PART" FAILS THE PERKINS LOAN PROGRAM

Perkins Loans may be denied to millions of college students because of an inappropriate and unfair evaluation by the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART). A careful review of the 27 questions and answers that make up the Perkins Loan program evaluation reveals that the whole program is rated "ineffective" because it is measured the wrong way. At least 22 of the 27 questions have nothing to do with whether or not the program effectively helps students.

The Perkins Loan Program is a federal-state-private partnership operated by colleges and universities that PART judges as if it was a federal credit program instead of a formula-grant program. As a result of this new and improper classification, OMB wants the Department of Education to change its procedures for analyzing the program. That has not yet happened, so PART gives the Perkins Loan Program an "I" for ineffective. Amazingly, calls for elimination of Perkins Loans are not based on findings of waste or fraud, but on bureaucratic infighting. The future of a program created in 1958 which funds 700,000 students a year should not be based on a one-word conclusion of a terribly flawed analysis. For example:

PART 1.2: The Perkins Loan program does not address a specific need and is redundant with the Federal Family Education Loan (FFEL) and Direct Loan programs.

COHEAO: The Perkins Loan program does not overlap with other financial aid programs, but compliments them by providing loans to students who need funds beyond current and conceivable future loan limits. More than 1,700 schools and over 700,000 students clearly needed the Perkins Loan program.

PART 1.3: The Perkins Loan program does not score favorably when compared to the FFEL and Direct Loan programs.

COHEAO: The PART evaluation acknowledges that the Perkins Loan program is funded as a formula grant program, not a credit program such as Direct Lending or FFEL. Therefore, the Perkins Loan program should be compared with other formula grant programs, not credit programs and evaluated as a formula grant program, not a credit program.

PART 3.1: The Department of Education does not have adequate data for the Perkins Loan program to demonstrate effective performance; its "FISAP" data collection system is not sufficient.

COHEAO: Fix the FISAP. The PART states (in 2.1), "The Department is working with OMB on developing an appropriate efficiency measure." Students should not be punished over bad forms.

PART 2.2: "Does the program have ambitious targets and timeframes for its long-term measures?"

PART 2.4: "Does the program have baselines and ambitious targets for its annual measures?"

COHEAO: PART answered "No" to both questions and took off 24 points. Is it students' fault that these "targets" haven't been set by the Education Department? PART admits that the program was audited and "no material weaknesses or reportable conditions related to Perkins Loans have been identified." Enough said.

**State Totals of the Federal Capital Contribution for Perkins Loans,**  
**Award Year 2004-2005**

<b><u>State</u></b>	<b><u>Perkins FCC</u></b>		
		Nebraska	967,588
		Nevada	155,997
Alabama	748,265	New Hampshire	797,323
Alaska	0	New Jersey	1,430,803
Arizona	1,463,743	New Mexico	560,641
Arkansas	766,068	New York	8,199,638
California	9,609,684	North Carolina	2,178,803
Colorado	1,557,845	North Dakota	455,839
Connecticut	1,087,800	Ohio	4,097,236
Delaware	120,613	Oklahoma	1,060,801
Florida	2,172,534	Oregon	1,649,537
Georgia	1,158,772	Pennsylvania	5,761,841
Hawaii	274,336	Puerto Rico	934,652
Idaho	435,445	Rhode Island	860,944
Illinois	6,691,410	South Carolina	934,091
Indiana	2,486,359	South Dakota	527,283
Iowa	1,849,040	Tennessee	1,800,133
Kansas	1,294,989	Texas	4,356,576
Kentucky	1,232,242	Utah	1,306,692
Louisiana	1,278,167	Vermont	637,749
Maine	798,664	Virginia	1,579,174
Maryland	1,346,049	Washington	1,956,878
Massachusetts	4,900,524	Washington DC	1,195,148
Michigan	3,529,923	West Virginia	763,643
Minnesota	2,292,287	Wisconsin	3,031,353
Mississippi	1,303,454	Wyoming	203,658
Missouri	2,295,397		
Montana	458,784		
<b>U.S. TOTAL:</b>	<b>98,556,415</b>		

Source: U.S. Department of Education. For Individual School Totals, Go to:  
<http://www.ifap.ed.gov/cbpmaterials/0405CBCongreportApril8CoverLtr.html>

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COHEAO, 1101 Vermont Avenue, N.W., Suite 400, Washington, D.C. 20005.

(202) 289-3903