Student Lending

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Inside Student Lending

First Hearing Held on College Access & Opportunity Act

On May 19 the House Education and the Workforce Committee held a hearing on H.R. 4283, "The College Access & Opportunity Act." The hearing provided the anticipated expressions of disagreement on student loans and other issues, but also included signs that a bipartisan consensus may yet emerge around the bill.

Chairman John Boehner (R-OH) opened the hearing with a strong defense of the bill. He criticized Democrats for their position on a variable rate on consolidation loans. Current and future students should be the number one priority of federal higher education policy, he said.

Boehner also noted that the Department of Education in the Clinton administration called for making all consolidation loans variable rate and that Senators Tom Daschle (D-SD) and Edward Kennedy (D-MA) both supported the Clinton plan. Boehner said that Sen. John Kerry (MA), the presumed Democratic 2004 Presidential nominee, also supported the Department's plan. "With all due respect to Senator Kerry and [former Education] Secretary Riley, it would appear Democrat leaders were for the idea of variable rate consolidation loans before they were against it."

Boehner emphasized that the U.S. General Accounting Office (GAO) had recommended variable interest rates on consolidation loans and suggested that massive federal costs would be incurred if current law is not changed.

Additionally, he announced the release of a new study by the Congressional Research Service (CRS) showing that variable rate consolidation loans tend to cost less for borrowers. The CRS analysis shows that in 13 of the last 18 years — since 1986, the first year of the consolidation program — borrowers would actually have been better off had their consolidation loans been

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available under a variable interest rate.

Continuing on a partisan note, Ranking Democrat George Miller (CA) said that H.R. 4283 doesn't come close to living up to its name, the College Access & Opportunity Act. He indicated that the bill would actually force students to pay "thousands of dollars more for their college loans" and fails to raise the Pell Grant maximum. Miller noted that the current appropriate Pell Grant maximum today ($4,050) is $500 less than that of 1976-77 in constant dollars.

Miller grew impassioned over the premise that improvements in borrower benefits in H.R. 4283 were limited because the bill had to be budget neutral. He asked rhetorically why bills on agriculture programs, public works and the military did not have to be budget neutral, as evidenced by the $500 billion deficit, only education. He and Subcommittee on 21st Century Competitive-ness ranking Democrat Dale Kildee (MI) said the Bush Administration's tax cuts were the cause of education being underfunded.

However, Miller did name parts of the bill that he would be able to support, such as reducing students' origination fees eliminating the lender floor rate of return on loans to reduce excessive bank subsidies, and also said that he hoped the deliberations on the bill would not become partisan.

Panel sheds light on the complications of college access for all.

Individual testimony at the hearing provided few surprises. Jim Boyle, the president of the College Parents of America, expressed support for additional grant aid and for variable borrower rates on student loans. Boyle indicated that the lack of information on available aid and college opportunity was a principal concern to parents of college-age students.

Boyle suggested the implementation of a U.S. Department of Education national advertising campaign to inform people of financial aid options and to also "provide contexts on the costs – and benefits – of higher education."

Dr. Dallas Martin testified on the National Association of Student Financial Aid Administrators' (NASFAA) views on the bill. He noted that NASFAA supported the reduction in borrower-paid origination fees and increases in borrowing limits, although he urged the Committee to consider higher borrowing limits as the bill moved through the legislative process.

Martin also suggested the Committee adopt the NASFAA recommendation to allow financial aid administrators to set lower borrowing limits at individual schools and complimented the bill for including a variable rate on consolidation loans, a NASFAA reauthorization proposal.

Martin also spoke in support of the change in the funding formula for the three campus-based programs. "The rather static funding of these programs over the past decade has prevented newer institutions which should have benefited from the fair share formula from keeping pace with

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institutions whose student bodies have similar economic enrollment profiles," he said.

Only one witness, Rebecca Wasserman, president of the United States Student Association (USSA) testified in opposition to H.R. 4283.

Similar to Miller, Wasserman expressed disagreement with provisions in H.R. 4283 maintaining the current authorized maximum Pell Grant ($5800) and calling for variable rates on consolidation loans. Wasserman stated, "We (USSA) are shocked that the leadership of this committee has decided to bend to the will of the big lenders and deny low and middle-income students the choice to lock in a low, fixed interest rate."

She also directly attacked "big lenders" and Sallie Mae, taking special care to attack the Sallie Mae CEO by name. Wasserman also weighed in against various changes to "integrity provisions" that affect proprietary schools, including making a single definition of an institution of higher education and repealing the so-called "90-10" rule. Additionally, Wasserman suggested that provisions in the bill known as the "academic bill of rights" created federal intrusion in higher education.

Dr. Charles Reed, chancellor of the California State University System, expressed his support for the Pell Grant program. He noted that 116,000 students at Cal State institutions received Pell Grants totaling $316 million last year. Reed also endorsed year-round Pell Grants but suggested that the institutional restrictions in the bill could exclude some schools serving the most disadvantaged students from participating in the year-round program.

Reed also supported revisions in the allocation formula for funding for the campus-based programs. He noted that some Cal State schools would lose money under the change, but that all the schools supported it because it based funding on the needs of students at institutions.

Michael Grayer, a recent graduate of Virginia College (Mississippi) testified on behalf of the Career College Association (CCA). Grayer reviewed his educational history and emphasized the opportunity created for him by Virginia College, a proprietary business school in Jackson. He testified in support of repeal of the "90-10 rule," which he described as an obstacle to educational opportunity for many poor students, and in support of the single definition of an institution of higher education.

During the question period, Chairman Boehner confronted Wasserman and asked her how she proposed to offset the costs of the changes to the Higher Education Act that she supported. Wasserman responded, in essence, that the Congress should be willing to spend more for education just as they do on national security.

Later, Rep. Rob Andrews (D-NJ) praised origination fee reduction, more flexible repayment and loan forgiveness provisions in the bill as well as variable rates on consolidation loans.

Chairman Boehner said there would be an additional hearing on H.R. 4283 after the Memorial Day Congressional recess, which ends June 1. The Republican staff of the Senate Committee on Health, Education, Labor and Pensions is continuing their work on a Senate Republican Higher Education Act reauthorization bill, with introduction expected in June.

For additional information on H.R. 4283, visit http://thomas.loc.gov. For copies of the testimony from Wednesday's House Education and the Workforce Committee hearing, visit http://edworkforce.house.gov/hearings/108th/fc/heabill051204/wl051204.htm.

Interview with...

Rep. Betty McCollum
(D-MN)

A native of South St. Paul, Betty McCollum is a Democrat serving her second term in Congress representing Minnesota's Fourth District. A member of the Education and Workforce Committee, McCollum is an advocate for equal opportunity in higher education. She represents thousands of students, faculty and staff from the more than ten colleges and universities located in the Fourth District. McCollum also serves on the International Relations and Resources committees. In addition to public life, McCollum's career has included teaching high school social science as well as 25 years retail sales and management. Her retail career began in 1973 where she worked to pay for tuition to earn her teaching degree. She graduated from the College of St. Catherine.

The House Committee on Education and the Workforce is now considering H.R. 4283, the "College Access & Opportunity Act." What are your initial reactions to the bill?

I was really disappointed because it doesn't address the problem of making college affordable. And if it's not affordable, it doesn't make any difference how many colleges are available in your location; if you can't afford to go to them, you can't access them. So that was really disappointing.

At the May 12 hearing on H.R. 4283, Education and the Workforce Committee Chairman John Boehner (R-OH) seemed to suggest that several provisions in the bill, including a variable rate for consolidation loans, were included due to budget constraints. How much will the budget deficit determine what the Higher Education Act reauthorization looks like? How much should the budget dictate what's in the bill?

It is a bizarre process. It appears that the Republican leadership is making it up as it goes along because of the huge deficits, and they're hearing from their constituents that they haven't set the right priorities. They're in charge, and I think they know they're in charge of the mess.

This is what's so interesting about working on the Higher Education Act reauthorization bill. When we asked questions about Pell Grant increases, other ways to make college more accessible – work-study grants and all of that – Chairman Boehner says, "Whoa! Stop – go no farther, because we're the authorization committee, not the appropriation committee, so we can't talk about the budget. And our point was, if we don't talk about the budget here, as authorizers, and make it crystal clear what our priorities are, what point is there in authorizing? The dollars have to go along with the authorization to make the American dream of college affordable for students. I'm very concerned with the deficits, the continuation of wanting to make tax cuts permanent, and even increase the tax cuts from where they were before, that the priority for education will be last on the list, and it needs to be in the top ten.

One of the most controversial provisions in H.R. 4283 has to do with loan consolidation. What are you hearing from constituents on this issue?

They are only allowed to [consolidate] at one time, so my advice is: be careful when you do it, because you are only going to get one bite of the apple. The second thing that we do when we talk to parents, as well as students, on this issue – and I'm the mother of two in college, so it's an issue that's dear to my heart, my brother's heart, and a lot of the people in my community – is, "how does consolidation affect the total amount of dollars that are out there for your other children that are going to be going to college, your nieces and nephews and the next generation? A lot of people at first blush think, "Oh, it works like my home loan." And it works totally different. When you explain that, people go, "Oh. But we have a problem with being able to afford higher education." And I tell them that loan consolidation doesn't solve that problem. It takes some of the stress off of some families that are feeling the economic security right now, with the deficits and tax cuts for the wealthy, but it doesn't do anything to address making college more affordable. So then we talk about, what do we need to do? We need to make college more affordable.

The "single holder rule" in the FFEL consolidation loan program effectively restricts borrowers with Stafford loans all held by a single lender by requiring that they consolidate with that lender. H.R. 4283 would repeal it. Do you agree?

Here again, it's looking for quick solutions for complicated problems. What do we need to do? We need to increase Pell Grants; we need to have states get back to their base level funding, not last year when they cut 14 percent [in Minnesota]. States repeatedly for the last ten years, some even longer, have not been investing in higher education. In fact, they've been cutting higher education. We need to focus on real solutions to the real problem.

Do you agree with Chairman Boehner that current law, which offers borrowers the opportunity to get a consolidation loan with a fixed interest rate, effectively focuses federal subsidies on past borrowers instead of current and future borrowers?

Because of the way the funds are structured, we need to take in account students in general: current students, past students, and future students. To do so [focus only on current borrowers], is not doing our job in preparing for the next wave of engineers, doctors, scientists, teachers, entrepreneurs, business people. Higher education is what keeps our economy going, so we need to be concerned about not just current borrowers, but future borrowers. And past borrowers also, because the determination whether or not they are going to be able to afford a home, start a business, or even go back to grad school, will be determined by the amount of debt that they have. So I don't think that you can separate them out; and a lot of families will have students in all three stages.

H.R. 4283 includes modest borrowing increases for the first and second year for undergraduate students. Are these appropriate increases?

What does it solve? It doesn't solve the accumulated high debts students are taking, it doesn't get states reinvesting in the higher education system, it doesn't have a federal government taking care of its lag-behind time in funding Pell Grants; it is an answer - to what problem, I'm not sure. If the problem is the cost of college, how does determining what year you can accumulate the most debt solve that problem? It doesn't solve the problem.

Students quite often, in their first year or two, aren't sure what they're majoring in. Quite often, students find themselves in their third or fourth year having to take an extra semester, having to maybe take an extra year, because after the first or second year it's clicked in.

I don't know what that solves.

Some in the education community are pleased with the phase-down of borrower-paid origination fees from 3 percent to 1 percent during the life of the reauthorization in H.R. 4283. Do you support these provisions?

We got the origination fee – why? Because our nation was trying to get out of major deficit spending. Now we're going to be in even deeper deficit spending. Now, do I think the origination fee was a good way to balance the deficit? No. Would I like to see it reduced and/or eliminated? Yes. But where are they going to offset it? Are they going to offset it some other place in the higher education bill? Are they going to offset it on healthcare, which is out of reach for most students? Where are they going to offset it? So, I'm all for reducing or eliminating it, but I've got a real important question here: Where are they taking the money from?

But of course, we don't address that in the authorization committee. We see no evil, speak no evil, hear no evil when it comes to how we're going to pay for anything.

You recently co-sponsored Rep. Rob Andrews' higher education bill, the Access and Equity in Higher Education Act, H.R. 4102. What do you like about the bill?

Here again, my first priority is not for students to be taking out loans. But, we need to create an even playing field for those three different college students that can even, as we said, coexist in the same family. For the first born child who starts college, the second and the third, why should those three siblings, based on what our economy is like, have three radically different scenarios of a cost of college, sometimes within a ten-year, six-year, even a three-year range? It doesn't make any sense.

This [H.R. 4102] at least would give families somewhat of a tool of a cap that's built into it, and students somewhat of a sense of what college might look like when they start planning their junior year of high school what that actual cost might be their freshman or sophomore year of college.

Do you anticipate that parts of Andrews' bill will find their way into the reauthorization bill that the Committee will produce?

Well, Rob [Andrews] and I were just talking on the Floor, and we're starting to have some discussions with Chairman Boehner and either we will have a bipartisan bill, in which we are listened to, and our solutions are discussed, and a part of the bill, or we won't have a bipartisan bill. As I said earlier, there is nothing in the bill as it stands today as it was introduced by the Republicans that does anything to address the high cost of tuition.

So Chairman Boehner pointed out, on the record several times, that the bill [John] Tierney (D-MA) and I have which says states need to get back into it and if they do then we should supplement those states who have colleges within them with increased Pell – or we can call it something different, I'm not wed to a name on that – and Chairman Boehner said repeatedly, "You know, the states aren't living up, and that's one of the reasons why tuition's going up, and then they pass it on to us." So, I'm even going to discuss it with Mr. Andrews to at least have some language in there to the states, like, we know what's going on, and you can't be balancing your deficit on the backs of college students. To that point, I say to my friends across the aisle, the federal government should not be balancing its deficit spending on the backs of college students.

Turning to other issues, what are your views on some of the non-student loan related issues in the bill, such as the treatment of Pell Grants and the changes to the allocation formula for the Work Study, SEOG and Perkins Loan programs?

All of those things are going to cost money. I would really like to see our committee take a vote, a serious vote, in expanding those programs – work study, and the others that you mentioned – but that means coming up with the dollars for that. I'm willing to roll back the top one percent of tax cuts on the wealthiest Americans to give middle-class families a chance for their children to go to school and become productive citizens that are also productive taxpayers in the future.

Another area of intense interest has to do with whether or not proprietary schools should operate under the same rules as public and private non-profit colleges. Do you think H.R. 4283 is headed in the right or wrong direction on this issue?

Here again, why are we having the discussion about having the limited amount of dollars that we have for trade school as well as college and university even diluted more? That's a concern. I think we've heard testimony from for-profits and not-for-profits that they'd like to see opportunities increased for Pell Grants. But, I don't know if that's going to happen, so voting to add non-profits could mean diluting the dollars even more.

The other concern that I have is, when we looked into the testimony, if you listen to the for-profits' goals and objectives for students, and the not-for-profits' – whether they were public or private – they talked about education, citizenship, well-rounded, educational opportunities. It was their goal to have people become productive citizens, community leaders – that's their goal. When you add a for-profit, if it's a corporation, if they're stockholders, if they're somebody investing their own money, they're going to want to see a return. We had some horror stories, back before '92 in Minnesota, where students took out loans, companies disappeared, they had no training, but they had debt. I think that if we're going to look at for-profits and public dollars are going to go in it, there has to be transparency in their bookkeeping. I'll use a Minnesota example: we have HMOs. They're not for-profit HMOs – they're private, but their books are open, we monitor how much they are charging and there is accountability in it because we put public dollars into it. If we're looking at doing something like that, for for-profit [colleges], I want transparency, accountability, all those measures put in. And I don't see that in the bill, where the Secretary of Education can just sign off. Where's the Congressional oversight in that? Where's the protection for the consumers? One of the gentleman that was testifying for the for-profits, I think he does know that there needs to transparency, that there are a lot of questions in it, and that there's been a lot of bad actors. But we're not having the right kind of discussions, in my opinion, to really move this forward. Maybe we can move it forward, but it has to have openness, transparency, and accountability for taxpayers and for students and their families, because when we tell that student that we're going to give them a federal loan to go to that school, we give it the good house keeping seal of approval. And we better be really careful before we do that.

Will we see a reauthorization bill pass the House this year and what will be necessary for that to happen?

It has to have a solution to the problem of making college affordable, which means access to "capital" (dollars); more opportunity for students to have Pell Grants that have real purchasing power; it will have to have accountability and transparency if there is going to be for-profit in it; and it has to, in my opinion, figure out a way to level the playing field so that there is some predictability in college, and that means getting the states and federal government back in investing in our people.

An example of when the federal government invested in people our economy, our science, and our technology, and our creativity went through the roof, was the G.I. Bill. When the federal government said to the returning veterans, "You know what? We're going to give you an education," we put a man on the moon, we educated baby boomers, and we developed computers and all kinds of technology because we invested in our people. And if we do that again, with people that are my age, that are finding themselves having to go back to school to be retrained, we do that with the trades, and if we do that with colleges and universities for this generation and the next, we will be such winners. But will we invest?

House Passes Budget Resolution, Senate Delays

On May 19 the House Republicans passed the FY2005 budget resolution, which the House and Senate budget negotiators had reported early that morning. The resolution passed by a party-line vote of 216-213. Senate action was delayed until after the Memorial Day recess ends next week.

The House-passed conference report adopts $821 billion for domestic discretionary programs, which is a higher spending figure than current law would allow. That translates to approximately a 3 percent increase in spending government wide. When those funds are divided up among subcommittees, the share for education will be 2 percent above last year's level. In addition, there is language about keeping the Pell Grant Program running while there is no funding to address a $3.7 billion shortfall.

Not surprisingly, there are different interpretations of the language in the House resolution: Republicans are saying it maintains existing funding levels for higher education, while Democrats say it will force a cut in the Pell Grant maximum and continue to underfund K-12 programs.

The $5 billion reserve fund for HEA reauthorization that was included in the Senate version remains in the bill, but will only apply to the Senate Health, Education, Labor and Pensions Committee. In addition, the money will be subject to pay-as-you-go rules requiring that any increased spending be offset when the bill reaches the Senate floor.

Senate leaders decided Thursday night to delay voting on the resolution until after the Memorial Day recess, facing up to the fact that they did not have enough votes to pass it. Four moderate Republicans—Senators Snowe and Collins of (ME), McCain (AZ) and Chafee (RI)—are still refusing to compromise on the Senate plan requiring that further tax cuts be paid for with equivalent spending cuts.

Appropriations staffers have begun drafting legislation based on funding estimates contained in the conference report in hopes of meeting other deadlines. House Appropri-ations Chairman Bill Young (R-FL) reportedly wants all 13 bills out of Committee by late July.

New Pro-Direct Loan Legislation Provokes Debate

On May 17 Reps. Thomas Petri (R-WI) and George Miller (D-CA) introduced the Direct Loan Reward Act, H.R. 4370. The bill would award institutions that participate in the Direct Loan program monetarily if they leave the FFEL program. It also ensures "cost neutrality" regarding the awarding of funds to Direct Loan participating schools. According to Reps. Petri and Miller, "these savings would be used to provide additional Pell Grant money to students with financial need."

Reps. Petri and Miller also issued a Dear Colleague letter Monday urging fellow members to cosponsor the Direct Loan Reward Act. Currently, there are ten cosponsors of H.R. 4370, The text of the bill may be found at http://thomas.loc.gov.

In response to H.R. 4370, House Education and the Workforce Committee Chairman John Boehner (R-OH) and Subcommittee on 21st Century Competitiveness Chairman Howard "Buck" McKeon (R-CA) circulated a Dear Colleague letter on May 20 that points out the major differences between the projected costs of the FFEL and Direct Loan programs versus their actual costs.

The Dear Colleague states that college students and parents are currently paying the lowest student loan interest rates in history due, in part, to

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Access and Opportunity for Whom?

BY ELLEN FRISHBERG
Director of Student Financial Services at Johns Hopkins University

The House-introduced College Access and Opportunity Act reminds me of a key lesson I learned in researching and writing my doctoral dissertation – that is, politics will always trump good policy. In a year with no money to do good (and even less than some had hoped from the recent budget agreement), our legislators have retreated to playing to political winds, rather than addressing real issues that impact access to college. (The College Access and Opportunity Act, H.R. 4283 - reauthorizing the Higher Education Act - was introduced on May 5 by Education and the Workforce Committee Chairman John Boehner (R-OH)).

I recently spent many of my waking hours reviewing the history of the HEA. Significant emphasis throughout the last 40 years has been on the national need for access to higher education for low-income students, with some focus in the 80's and 90's on the middle-income, often as a political compromise. The HEA has also been used to control the behavior of students, colleges and universities, and lenders, as it is the single best tool the Congress has to get a point across to those who benefit from the funding. What has been missing in past reauthorizations, and is evident in this one, is obvious partisan politics.

What strikes me as being very different in this incarnation of the HEA reauthorization is the lack of resources being brought to bear on access for low-income students, the increasing use of the statute to control institutional behavior and the not-so-subtle partisan wrangling. Also, the business side of student financial aid seems to have risen to the surface as a major concern – how the private sector entities that benefit from federal programs will fare - takes up much time and energy. What I am not hearing is how to best help students attain access. What I am hearing is how much better and cheaper one loan program or interest rate formula is over another calculation, and each study that comes out uses the most advantageous scoring to make their particular point – actual costs or future projections – often in conflict. So much for good public policy!

As to access specifically, there is no increase in the Pell Grant authorization or real change to the eligibility formula to assist with the unmet need issues cited in many recent reports. There is no increase in subsidized loans for juniors and seniors, begging the retention issues attendant with private borrowing, and because of the new rhetoric used to describe recent students who are now entering repayment (many with no or low income jobs and who were Pell grant recipients a few weeks prior), a significant loss of benefits in the move to a variable rate consolidation.

The good news — retention of the programs that have worked, reduced origination fees for FFELP borrowers, but only to the level that Direct Loan students have enjoyed in recent years, small increases in first, second, and graduate school year subsidized borrowing, the elimination of the single holder rule (although still with roadblocks for the borrower), and a change in the treatment of 529 plan assets — seems like such a small effort when large gestures are needed. Budget-neutral bills will never get this nation where it needs to go with college access for the poor. Where is the "no child left behind" rhetoric for higher education?

Continued on following page

It costs my university $10 in institutional funds for every federal grant dollar a needy student brings. And we spend it. Thus, we are making access possible for low-income students, but only those who are smart enough and know enough to get to our door. Our Pell grant recipients usually get grant aid in excess of tuition, and many graduate with low or no debt. Poor students tell us that it was less expensive to attend Hopkins than their local State University – and still we get slammed for our high sticker price that fewer than half the undergraduates pay. Not everyone can go to a selective, wealthy school – what happens to their access?

We are asked by the reauthorization legislation to accept transfer credits from coursework that is not always up to our academic standards, with mind-boggling reporting requirements. And the financial aid programs are opened up to more schools with the same amount of federal money to be shared – a zero sum game that benefits few.

Will this be the year for a reauthorization? Given the partisan politics evident in an election year, the lack of budget authority and national commitment to make bold gestures, and the waning time to act, and given what I see on the table, I hope not.

As to solutions that work, we need to use the HEA reauthorization to get better information to students, earlier. We need to use the model that Social Security uses to tell families how much they can get at retirement, annual statements that show our earnings and benefits. I recently provided testimony about an idea for a College Benefit statement to the Advisory Committee on Student Financial Assistance. More on this idea in a later issue of *Student Lending*.

Ellen Frishberg received her doctorate in Higher Education Management this month from the University of Pennsylvania.

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the Bush administration's approach to the two student loan programs. The administration has allowed both the FFEL and Direct Loan programs to exist and compete on their merits and has resisted calls for the federal government to take on a larger role in student lending.

The letter also states that, "according to U.S. Department of Education data, more than 500 schools have left Direct Lending since the program's inception," and that a "preliminary review of Education Department data shows overall Direct Lending subsidy costs have been underestimated by $2.4 billion over the life of the program, resulting in lower savings to the Treasury than originally estimated, whereas FFELP's subsidy costs have been overestimated by $5.9 billion over a comparable time period (1993-2003)."

Additionally, Congressional supporters of the FFEL program appear to have responded to the introduction of H.R. 4370, the Direct Loan Reward Act, and other recent actions reflecting support for the Direct Loan program by including in the S. Con. Res. 95 conference report a similar reference to the continuing dispute over scoring estimates of Direct Loans. In part, the conference report reads, "…While the conferees support the Federal student loan programs, the conferees are concerned that the Ford Direct Loan Program's subsidy estimates do not reflect the program's true cost to the Federal Government. Therefore the conferees support the Department of Education's continuing efforts to refine and improve its cost estimating techniques."

Chalmers Gail Norris

Executive Director of the Utah Higher Education Assistance Authority (UHEAA) and
Associate Commissioner for Student Financial Aid
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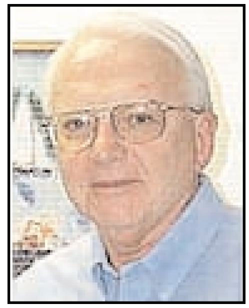


The one thing those who knew Gail Norris have been saying about him since his unfortunate passing is that he never said a harsh word about anyone. Message to the political consultants and their clients: that's a compliment.

Gail had a led the Utah Higher Education Assistance Agency for 18 years, steering the organization into one of the leaders in the financing of higher education. He did this without elbowing others aside but by taking what may have become an old-fashioned approach – hiring good people, developing a sound business plan and making sure his organization did their jobs well. It worked for Gail and that is to his credit.

He also was willing to devote the energy and time to playing a leadership role nationally, picking one of the most difficult and contentious periods in the history of the student loan programs – the mid 1990s – to be the chairman of NCHELP, then serving on the commission created by Congress to look at the overall student loan program in 1999-2000 and see if "market mechanisms" were working.

At a time when there was tension and testiness in great amounts, Gail focused on bringing people together to work for common goals – chiefly to ensure that students have the money they need to attend college.

To move towards those goals, Gail did a great deal. He devoted his life to making sure opportunity answered when potential students knocked on its door. He worked hard, and he succeeded. And he did it his way.

In a business that carries its share of backbiters, Gail set an example for all, showing that being a gentleman of character is not an old-fashioned virtue. In an era where toughness and strength may seem synonymous with rudeness and deceit, Gail showed that it doesn't have to be done that way.

Here's to hoping we remember Gail and remember the man he was. He will be missed.

-Harrison M. Wadsworth,
Principal, Washington Partners, LLC

NEW IN BRIEF
ON THE HILL

■ **No hearings or mark-ups on Higher Education Act reauthorization (HEA) legislation were held this week in the House or the Senate.** The House Committee on Education and the Workforce is expected to hold a second hearing on H.R. 4283, the College Access and Opportunity Act, in mid-June. The topic of a second hearing, which was announced by Chairman Boehner on May 12, is not yet known. Senate Health, Education, Labor and Pensions Committee Chairman Judd Gregg's (R-NH) staff is continuing to work on completing action on a Senate version of HEA reauthorization legislation this week. Introduction of a Senate bill has been delayed until the budget is set, and is now expected in June.

■ **On May 12 the Senate Governmental Affairs Committee held the first of a two-day hearing, "Bogus Degrees and Unmet Expectations: Are Taxpayer Dollars Subsidizing Diploma Mills?"** The hearing was held in order to explore the problem that "diploma mills," unaccredited, substandard colleges and universities that offer degrees in a range of subject areas for sums of money rather than academic courses taken, pose to the federal government. Sally Stroup, assistant secretary for the Office of Postsecondary Education at the U.S. Department of Education, testified during the second day of testimony. Her remarks focused on the efforts the Department of Education is taking to combat the problem of diploma mills. Stroup noted that while the diploma mills do not really affect the integrity of the federal aid programs because of the accreditation process and the oversight conducted by FSA, the mills "do threaten to devalue the legitimate education credentials of millions of Americans." For more information about the hearing or to see all the testimony, visit: http://govt-aff.senate.gov.

■ **The United States Supreme Court issued a decision Monday in a case, *Tennessee Student Assistance Corporation v. Hood* that revolved around the discharge of a student loan in a bankruptcy.** In the 7-2 decision, Chief Justice William Rehnquist, writing for the majority, held that federal bankruptcy courts have the authority to discharge state guarantor-backed student loans if the debtor meets the proper legal standard (undue hardship) because the legal doctrine of sovereign immunity protects the state-based agencies in these types of cases. In doing so, the Court affirmed the decision of the U.S. Court of Appeals for the Sixth Circuit.

■ **On May 20, Senator John Warner (R-VA) introduced the 21st Century Federal Pell Grant Plus Act.** The bill doubles the Pell Grant for students pursuing math, science, engineering or specific foreign language degrees in college. The goal of the legislation is to increase the number of college graduates with math, science, engineering and foreign language degrees in light of future workforce and national security needs.

■ **Rep. Phil Gingrey (R-GA) introduced H.R. 4409, the "Teacher Training Enhancement Act,"** to reauthorize Title II of the Higher Education Act of 1965 (Education and the Workforce). The bill would attempt to align teacher preparation efforts with the No Child Left Behind Act and allow states to analyze the effectiveness of teacher colleges by tracking graduates' subject mastery and impact on student achievement.

■ **Rep. Joe Wilson (R-SC) introduced H.R. 4409, the "Teacher Shortage Response Act,"** which would expand loan forgiveness for math, science and special education teachers who commit to working in high-need schools for at least five years, from $5,000 to $17,500.

■ **Rep. Max Burns (R-GA) introduced H.R. 4422, the "Priorities for Graduate Studies Act."** The bill would make math, science and special education a priority for fellowship programs under the Higher Education Act.

■ **Rep. Charles Stenholm (D-TX) introduced H.R. 4465, a bill to extend loan forgiveness for certain loans to certified or licensed teachers.**

■ **Senator Jack Reed (D-RI) introduced S. 2477, the "Accessing College through Comprehensive Early Outreach, State Partnerships, and Simplification Act (ACCESS Act)."** The bill would expand college access and increase college persistence and to simplify the process of applying for student assistance.

■ **On May 17, the American Council on Education (ACE) wrote a letter to Federal Student Aid Chief Operating Officer Theresa Shaw urging against any changes in the Higher Education Act that would hurt the Performance Based Organization (PBO).** ACE President David Ward states, "…nowhere in the document is there an emphasis or plan to take on issues such as student loan counseling, delinquency issues, or financial management. Given that it is in the best interest of students, taxpayers, institutions and the federal government for borrowers to have good information about their loan options, it seems appropriate that the FSA should take more of a role in providing that guidance and assistance to students." Visit www.acenet.edu to view the entire letter.

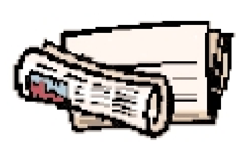
Inside ED/Other Federal Agencies

■ **The Schools Delivery Channel of FSA has posted an updated Common Origination and Disbursement (COD) "Frequently Asked Questions" (FAQ) on the IFAP website.** The document supersedes the one posted to the site on December 23, 2003 and is accessible at: http://www.ifap.ed.gov/eannouncements/0512FAQCOD.html.

Secretary of Education Rod Paige issued the following comments regarding the 50th Anniversary of the Brown v. Board of Education Decision: "We have indeed made great strides since the *Brown* decision. But I believe our work is far from over. Factually speaking, this country does not yet provide the equal opportunities for millions of children that would fulfill the *Brown* promise. President Bush recognized this problem and decided to take action. He saw a well documented, if silent, problem: a two-tiered education system in our nation. Some fortunate students receive a world-class education. Others, by accident of street address, skin color or spoken accent, do not. The *Brown* decision gave all students access to the schoolhouse, but the question we need to ask ourselves now is: what do they get once they get inside the school?"

■ **Borrowers in the federal Direct Loan program have the option to repay their loans under an income contingent repayment (ICR) plan.** Under this plan, the borrower's monthly repayment amount is determined by a formula taking into account borrower's income, family size, loan amount and interest rate. Each year, the U.S. Department of Education must adjust the formula and thereby adjust the borrower's monthly payment amount to reflect changes due to inflation. Earlier last week, the Department published the adjusted income percentage factors for 2004 and charts showing sample repayment amounts based on the adjusted ICR plan formula in the May 17th *Federal Register*. The notice also illustrates how the calculation to determine the borrower's monthly payment is performed. The adjustments contained in the notice are effective for the period of July 1, 2004 until June 30, 2005. To view this notice, visit: http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2004/04-11139.htm.

In the News



■ **California Gov. Arnold Schwarzenegger, University of California President Robert C. Dynes, and**

California State University (CSU) Chancellor Charles B. Reed announced agreement on a "compact" May 11 outlining their intentions for state funding levels and institutional accountability in the UC and CSU systems over the next several years. The agreement provides for annual growth in state funding for UC's basic budget and enrollment growth, beginning in the 2005-06 fiscal year, in exchange for UC's commitment to accountability in specified areas. Under the agreement with the governor, UC still will sustain significant budget cuts in FY 2004-05 as the state attempts to address its budget shortfall. Under the compact, State funds will once again be provided for enrollment growth at UC, preserving a place for students who challenge themselves, excel, and meet the system's eligibility requirements. Funding will be provided beginning in 2005-06 to resume faculty and staff salary increases. UC will also pursue numerous accountability measures demonstrating its efficiency, effectiveness and value to the state. The agreement extends through the 2010-11 fiscal year.

■ **First Marblehead announced an agreement to provide private student loan services to the Academic Lending Center, a division of Creditron Financial Services.** First Marblehead will provide the Academic Lending Center with a competitive loan program to expand its education loan offerings beyond its customary business of loan consolidation. The product, Custom EduCredit, will help the Academic Lending Center with its increasing demand for private education loans. For more information, visit www.firstmarblehead.com.

■ Stressing the importance of early awareness about higher education, **the Northwest Education Loan Association (NELA) recently sponsored "I'm Going to College Day" for 150 sixth-grade students.** The students, from Fairbanks, AK, spent one day at the University of Alaska Fairbanks attending classes, campus tours, and lunch. The students also participated in a graduation ceremony.

■ **The New York State Higher Education Services Corporation (HESC) has announced it is the first fully electronic reporting agency to the Department of Education's new ED Connect.** The computer model HESC uses allows for quicker and easier transactions; the fully functional electronic system may be used as the model in other states. According to HESC, the Department of Education will require that all guaranty agencies set up a fully functional electronic system. For more information, visit www.hesc.org

■ **At the 1st Annual Conference on Technology and Standards held May 3-5, the Postsecondary Electronic Standards Council (PESC) announced Schools Interoperability Framework as the winner of its 2003 Best Practices Competition.** PESC also honored four others with Distinguished Service Awards: Dr. Dallas Martin, president of NASFAA; Adele Marsh, vice president for E-Commerce initiatives; Bruce Marton, associate director of IT at the University of Texas at Austin; and Holly Hyland, management analyst for the Department of Education's Federal Student Aid Office.

■ **On May 24 the last auction of 91-day Treasury bills in May were posted at 1.07%.** The bond equivalent (coupon) rate of T-bills at this auction are used to set Stafford and PLUS interest rates for the year beginning July 1, 2004 and ending June 30, 2005. The rate makes education loan rates for 2004-2005 another record low. Rates for Stafford and PLUS loans, 2.27%/3.37% and 4.17% respectively, are 0.05% lower than the 2003-2004 rate.

■ **In an op-ed featured in the May 14, 2004 issue of *The Washington Times*, President Bush's former chief economic advisor Lawrence Lindsey discusses the costs of the Direct Loan program.** Lindsey, a former Direct Loan proponent, argues that the "direct loan program has been losing more money with each passing year." He adds, "In theory, the Direct

Lending program should be a profitable one. After all, the government is borrowing from the market and lending to students at a rate about 2 percent higher than its cost of funds. This should be the government equivalent of the old joke about bankers having a "3-6-9" program. Borrow at 3, lend at 6, time left for 9 holes. But the direct lending program has been losing more money with each passing year. Last year, in its ninth full year of operation, the program had interest costs that exceeded its interest and fee income by $2.9 billion. Some of this loss is understandable. Students do not have to pay interest while in school. So, interest payments do not start coming in until year five for a four-year student. Then, the interest payments from graduates should be covering a larger portion of the interest cost of lending to new students, and total student interest payments should start to rise relative to the interest paid by the government. But the program lost $1.9 billion in interest in its seventh year, $2.4 billion in its eighth and $2.9 billion in its ninth year. It is going ever deeper in the hole, with no end in sight." To view the entire article, visit www.washtimes.com

■ In the May 21 issue of the *Chronicle of Higher Education*, **Terry Hartle, senior vice president of government and public affairs at the American Council on Education, comments on the importance of the Higher Education Act being reauthorized this year**. Hartle claims that budgetary restrictions, the legislative calendar, political agendas, and the lack of a serious problem in the student aid programs all contribute to the delay of reauthorization. He states three reason as to why reauthorization needs to be completed this year: the possible change of key policy makers next year; an even worse budgetary environment; and that press coverage of the issue may change. To view the entire article, visit www.chronicle.com.

■ **The Student Loan Servicing Alliance (SLSA) has announced the addition of Brazos Higher Education Service Corporation to its membership.** SLSA now has 37 member organizations, including recently added members Citibank, The Student Loan Corporation, and Utah Higher Education Assistance Authority. Debra Urias, vice president, national director of Compliance, will act as Brazos' primary member contact.

■ **The United States Department of Education announced that Wells Fargo Education Financial Services (EFS) has received the Exceptional Performer designation.** The Exceptional Performer designation is granted to qualified student loan lenders and servicers who perform exceptionally while servicing Federal Family Education Loan Program (FFELP) loans. Wells Fargo achieved an overall compliance performance rating of 100 percent and is only the second lender to receive the Exceptional Performer designation. Its designation is scheduled to go into effect on June 1, 2004.

■ **Student Loan Xpress has announced plans to offer reductions in student loan interest rates to Maine borrowers as part of the Finance Authority of Maine's (FAME) Higher Education Loan Purchase Program (HELPP)**. The reductions include a half-percent reduction upon entering the repayment period and for PLUS loans, a three percent reduction in principal once the loan has been fully disbursed.

■ **College Loan Corporation (CLC) announced the issuance by College Loan Corporation Trust I of $1.3 billion of its 2004-1 student loan Asset-Backed Securities (ABS).** This is the second offering in a year for CLC. The transaction includes $1.2 billion of Term Floating Rate Notes, fixed to a spread against the 3-month LIBOR index, and $100 million of auction rate notes. UBS Investment Bank, Citigroup and Goldman, Sachs & Co. were the managers of the offering, with RBC Dain Rauscher Inc. as co-manager.

■ **The American Council on Education (ACE), the Association of American Universities and the National Association of State Universities and Land-Grant Colleges sent Secretary of Homeland Security Tom Ridge a letter asking for a delay in implementing fee collection regulations related to the Student and Exchange Visitor Information System (SEVIS).** The letter asks Secretary Ridge to ask the Office of Management and Budget (OMB) to delay release of the final rule on the issue in order for more colleges and Universities to provide OMB with comments. The letter states "Based on this ongoing dialogue and the forward movement we have made, we urge you to delay the implementation of the rule until all option can be further explored." To view the entire letter, visit: www.acenet.edu/washington/letters/2004/05may/Ridge.pdf.

■ **On May 17, the American Council on Education (ACE) wrote a letter to Federal Student Aid Chief Operating Officer Theresa Shaw urging against any changes in the Higher Education Act that would hurt the Performance Based Organization (PBO).** ACE President David Ward states, "…nowhere in the document is there an emphasis or plan to take on issues such as student loan counseling, delinquency issues, or financial management. Given that it is in the best interest of students, taxpayers, institutions and the federal government for borrowers to have good information about their loan options, it seems appropriate that the FSA should take more of a role in providing that guidance and assistance to students." Visit www.acenet.edu to view the entire letter.

People

■ **Sallie Mae has announced that Ray Pranske has joined the company's higher education sales team in Florida as account executive.** Pranske, who has over 29 years of financial aid experience, will promote Sallie Mae's services and products to schools in Florida. He will also serve as director of state outreach for The Sallie Mae Fund, the charitable arm of Sallie Mae. Pranske previously served as president for both ILASFAA and FASFAA, and also as director of Scholarships and Student Financial Assistance at St. Petersburg College. He received his master's degree and an Ed.S. from Easter Illinois University and also served in the U.S. Army.

■ On Sunday May 16, 2004, **Jacquelyn Jackson was officially named the director of the Education Department's Student Achievement and School Accountability Programs.** Jackson, who has been the acting director for two years, is responsible for administering supplementary instruction grants under Title I, Early Reading First grants and dropout prevention grants.

Noteworthy Events

■ **Career College Association is holding its annual Convention & Exhibition at Disney's Yacht & Beach Club Resort, June 16-18, 2004.** The keynote speakers are Fox News' "Beltway Boys," Fred Barnes, executive editor of *the Weekly Standard*, and Mort Kondracke, executive editor of *Roll Call*. Topics to be addressed at the convention include: admissions, education, financial aid, operations/school management, and student services/placement. For more information, visit www.career.org

■ **On May 26 at 12:15 p.m. ET the New America Foundation (NAF) is sponsoring a brownbag lunch discussion on "Re-Opening the Door to College: Solutions for Restoring Financial Aid to Those Who Need It."** Participants include: Thomas Wolanin, senior associate, The Institute for Higher Education Policy; Richard Kahlenberg, senior fellow, The Century Foundation and editor, *America's Untapped Resource: Low-Income Students in Higher Education*; Krista Kafer, senior policy analyst, The Heritage Foundation; Julie Strawn, senior policy analyst, Center for Law and Social Policy; and Leslie Parrish, NAF. For more information, email buntman@newamerica.net