MESSAGE FROM THE PRESIDENT
JEANNE F. DOTSON

First and foremost I’d like to thank everyone for attending what was one of the best Mid-Year Meetings ever. Almost a hundred of us were welcomed to Philadelphia by Congressman Chaka Fattah (D-PA) and were able to listen to extremely informative presentations on several different issues including reauthorization of the Higher Education Act of 1965, the Department of Education’s perspective on the Perkins Loan Program, Check 21, the NSLDS and several others (including a description of how much a 14-foot painting of George Washington is worth from Mark Mundy’s older brother). If you missed the meeting, you missed out, but be sure to read the meeting summaries included in The Torch. Also, presentation slides are available at the COHEAO website, http://www.coheao.org.

During the Mid-Year Meeting, the Steering Committee met and officially changed its name to the Board of Directors. We feel that the Board of Directors more adequately reflects the importance and permanency of COHEAO as an organization. At the meeting, the Board welcomed its newest member, Thomas Schmidt from the University of Minnesota. Tom will be the COHEAO Legislative Co-Chair for the Perkins Task Force. Tom has already proven to be an important asset to COHEAO and we look forward to working with him in the future.

Before I go, I have a few other announcements to make. First, take a look at the membership list you received at the conference. If you notice any information that needs correcting, let Andrew know at astringer@wpilc.net. Also, if anyone needs documentation to receive CPE credit for any of our sessions, let Andrew know. Finally, given how impressive our Mid-Year Meeting was, our Annual Meeting will prove to be the best yet. Be sure to save January 30 through February 2 on your calendars to attend in Washington, D.C.
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COHEAO News

Session Summaries from the 2004 COHEAO Mid-Year Meeting

The following are brief summaries of the sessions at this year’s Mid-Year Meeting. All presentation slides are now available on the COHEAO website at http://www.coheao.org.

Keynote Speaker

Rep. Chaka Fattah (D-PA) opened the meeting with a spirited speech welcoming the attendees to his home town and about the value of higher education and of providing access to low-income students. He noted that he is an original author of the GEAR-UP program, which President Clinton heard about and lent his support to, leading to eventual passage. GEAR-UP has been a tremendous success in Philadelphia, he said.

Fattah called for increased funding for education and criticized the Bush Administration for its funding priorities. He strongly urged COHEAO members to contact their Representatives and especially the staff with responsibilities for education to urge support of the Perkins Loan Program. He emphasized the importance of telling about how the Perkins program directly affects your school or business, including numbers of students affected.

HEA Reauthorization Hill Staff Session

Scott Fleming, legislative assistant to Sen. John Enzi (R-WY), told the COHEAO Mid-Year Meeting this week that the Senate will not act on Higher Education Act reauthorization this year, although Health, Education, Labor and Pensions (HELP) Committee Chairman Judd Gregg (R-NH) is expected to introduce a reauthorization bill this year. The Congress has been unable to complete action on several other bills that are under HELP Committee jurisdiction, he noted.

Enzi supports the Perkins Loan program, even though there are concerns about the allocation formulas for the Federal Capital Contribution, which seems to disadvantage Wyoming, Fleming said. He noted the importance of schools contacting their Senators and House members to let them know of the importance of the Perkins program. He suggested that if Perkins is seen to be duplicating the Stafford program, it be modified to ensure that it fulfils its own niche.

Enzi has been mentioned as a possible chairman of the HELP Committee in the next Congress, if Republicans retain control of the Senate and if, as some predict, Gregg takes over the chairmanship of the Budget Committee. Enzi is a hands-on senator who is a speed reader and gets much more involved in the details of legislation than many of his colleagues, Fleming said.

An Informed Discussion of Changes to the Campus-Based Aid Allocation Formulas

This extremely informative panel featured three speakers: Bill Schilling, senior director of financial aid at the University of Pennsylvania; Anna Griswold, assistant vice provost for enrollment management and student aid at Pennsylvania State University; and Melanie Corrigan, assistant director for policy analysis at the American Council on Education (ACE).
Schilling’s presentation traced the history of the campus-based aid allocation formula through the 1979-1980 reauthorization of the Higher Education Act of 1965 (HEA). Previous to the 1979-1980 reauthorization, Perkins funds were distributed without a formula. To receive funds, schools would estimate need and then submit applications for funding to regional councils. The reauthorization put in place a new system where schools were guaranteed the same level of funding as the previous year (conditional guarantee), plus a formula driven allocation of any additional funds, known as the “fair share.”

Griswold provided detailed information on how the current allocation formula works. The current formula consists of the base guarantee, using the 1999-2000 academic year as a baseline, and the fair share allocation. Griswold detailed several factors that go into calculating both variables of the formula including financial need, past allocation and cohort default rate. For specifics download her presentation off of the COHEAO website.

Finally, Corrigan provided a macro-analysis of future funding allocations if Congress were to accept the new campus-based aid formula found in H.R. 4283, House HEA reauthorization legislation. Corrigan’s analysis found that under the new formula, twice as many schools gain funds as those who lose funds, although those that gained received small increases while those who lost allocation dollars lost a significant amount. Surprising was that four-year private schools in the Northeast were not the only schools to see reductions in their federal capital contribution. Schools throughout the Midwest, particularly Wisconsin, and some four-year public schools had significant losses as well. Overall, no one state had all “winners” or all “losers” but all states were split between both categories.

**NACHA and E-Check Update**

Robert Unger from the Electronic Payments Association (NACHA) provided attendees with information on Automated Clearing House (ACH) transactions and protocols for eCheck services including:

- Point-of-purchase transactions (POP);
- Re-presented Checks (RCK);
- Mail or dropbox receivable transactions (ARC);
- Internet ACH transactions (WEB); and
- Telephone ACH transactions (TEL).

Unger’s presentation explained the basics behind these protocols and generally outlined how NACHA facilitates the creation of rules and regulations for the transactions. Unger encouraged organizations interested in the rulemaking process to contact NACHA.

**Check 21**

David Kurrasch, president of Global Payments, provided the COHEAO membership with the “Myths and Realities” of Check 21. Check 21 is shorthand for the “Check Clearing for the 21st Century Act,” which goes into effect October 28, 2004. The legislation allows institutions that collect checks to clear checks with financial institutions using electronic representations of checks (IRDs) without having to physically transport the check to the institution. These images of checks must meet specific standards, but their use does not require a preexisting agreement.
between the two parties. The impetus behind the legislation was when after the 9/11 attacks, planes were grounded, meaning that checks could not travel across the country to be cleared.

According to Kurrasch, after implementation, Check 21 may eliminate the need for individuals carry checks to the local bank to be cleared. Instead, representations of checks will be e-mailed to banks anywhere in the US in order to have accounts credited.

National Student Clearinghouse: Bringing New Services On Line while Continuing to Upgrade Its Activities

Nancy Wiederspan and Jeff Tanner spoke about the National Student Clearinghouse. Wiederspan and Tanner explained the history of the clearinghouse from its inception in 1993 through the present day. The two speakers also provided information on the data the clearinghouse collects, which institutions voluntarily contribute data to it and the over 64 million student records available in the clearinghouse. Information on student records is made available to colleges and universities, high schools and employers. Tanner also provided information on the services the clearinghouse provides to its members, including “EnrollmentVerify,” “Enrollment Search” and “DegreeVerify.”

A Perspective from the Administration on the Higher Education Act

A senior Department of Education policy official defended the fact that the White House and the Department of Education judged the Perkins Loan program “ineffective” but said the Department wants to work with schools to improve the program. David Bergeron, director of the policy and budget development staff under Assistant Secretary of Education for Postsecondary Education Sally Stroup, told the COHEAO Mid-Year Meeting in Philadelphia that the Department wants to work with schools on improving two areas where Perkins was judged deficient relative to the FFEL and Direct Loan programs – default rates and recovery rates.

Bergeron defended the use of the controversial Program Assessment Rating Tool (PART) for judging the Perkins program. The PART’s rating of the Perkins was cited as justification for recommendations to zero fund the Perkins Capital Contribution in FY2005 by both the Bush Administration and by the House Appropriations Committee. But he said efforts to work with ED to improve default and recovery rates would help him and others to make the case to the White House Office of Management and Budget that schools were making efforts to improve their management of the Perkins program. One way to improve the collection of defaulted loans is to assign more of them the Department, which can use the IRS to offset the tax refunds of defaults as well as undertake administrative wage garnishment, he said.

One area that the PART found to be deficient is the allocation formulas for the distribution of the FCC. The Department proposed that the “hold harmless” provision of the federal allocation formulas be changed in the Higher Education Act, a proposal that was included in modified form in the House Republican reauthorization bill, H.R. 4283.

Regarding the reimbursement for loan cancellations, Bergeron said that the Department is working to put together a model for calculating the expected amount of reimbursements in a given year. He maintained that, contrary to what many believe, the amount requested by the
Department for cancellations for the past two years -- $66.7 million – not only covers current cancellations but also makes up for past shortfalls. That means that all institutions should have been fully reimbursed for cancelled loans during the past two years.

COHEAO members questioned the use of the PART to justify cutting Perkins funding, pointing out that the low loan limits for Stafford Loans make Perkins an important element of many students’ financial aid packages. Bergeron responded that the Department believes that Perkins Loans now often go to middle class students who are not eligible for Pell Grants.

Bergeron outlined President Bush’s expected requests for Higher Education Act reauthorization, which will probably follow those in the budget proposal for FY2005 that was made public in February 2004. The budget proposes to eliminate the Perkins Federal Capital Contribution, to keep Stafford Loans at a variable rate after 2006, to increase Stafford Loan limits to $3,000 for freshmen but make no other increases, to fund increased Pell Grants for students who succeed in rigorous academic courses, to encourage Stafford loan forgiveness for teachers and to apply the cutoff of federal aid only to those convicted of drug crimes while receiving aid. An additional $3 billion in funding is proposed for student benefits, such as a reduction in origination fees for Stafford loans.

In recognition of the probability that Congress will not pass HEA reauthorization legislation this year, Bergeron said that the Administration is prepared to propose legislation extending HEA programs. The Consolidation Loan program has been identified as requiring an extension, he said, while Perkins loans can continue to be disbursed by schools even without the extension.

Technology Developments at the Department of Education: National Student Loan Data System

Pam Eliadis and Lisa Hanners gave a presentation on the National Student Loan Data System (NSLDS). The NSLDS is a database of student financial aid awards dating back to 1994 when the system was first created. The database exists to ease administrative costs and burdens as well as reduce cases of student aid fraud. NSLDS provides the government, loan services and higher education institutions the ability to track students receiving aid and the status of that aid (repayment, default, etc.). Eliadis and Hanners discussed specific statistics on the Perkins Loan Program found in the NSLDS. These records included the 2,170 program participants, 3.5 million Perkins loans and other data.

Aside from outlining what the NSLDS is, the presentation discussed exactly how the NSLDS maintains itself and records and reports data. This included a discussion of XML framework, data storage strategies and the Federal Student Aid administration’s Target State Vision.

Recent Court Decisions Related to Bankruptcy and Student Loans

Philadelphia-area lawyer Andrew N. Schwartz gave a general discussion of bankruptcy issues involving student loans. Schwartz outlined several general trends in the bankruptcy arena, coming to two general conclusions: (1) schools have better legal footing to collect student loans than students have in getting their loans forgiven during bankruptcy; and (2) legal history on specific issues varies considerably from state to state meaning that there is legal precedent for court decisions, regardless of what the decision is.
Schwartz also offered some general collections advice; most pertinent was that schools should develop a collections “program” at either the financial aid or admissions office. Ideally, in order for students to attend classes, they must sign an agreement committing to pay, in one form or another, their tuition.

*Reauthorization and Appropriations Workshop/Discussion Session*

Ending the Mid-Year Meeting was a workshop on reauthorization and appropriations activism given by COHEAO executive director Harrison Wadsworth and COHEAO Board of Directors member and legislative co-chair Mark Mundy. Wadsworth and Mundy provided participants with key information on how to effectively lobby members of Congress and explained why such lobbying efforts are so important.

With the Senate determining funding for the Perkins Loan Federal Capital Contribution in early September, these skills are important now more than ever. For more information on how to be active in Washington, contact Harrison Wadsworth or Andrew Stringer at hwadsworth@wpllc.net or astringer@wpllc.net.

**Secretary Paige Responds to COHEAO PART Letter**

On July 27, Secretary of Education Rod Paige responded to COHEAO's July 1 letter asking the Department to reconsider its recommendation to zero out the Perkins Loan Program Federal Capital Contribution (FCC) and contesting the Office of Management and Budget's (OMB) Program Assessment Ratings Tool (PART) evaluation of the Perkins Loan Program.

In the letter, Paige defends the Department's recommendation to zero out the FCC because it is "redundant and duplicative" with other federal student aid programs. In addition, Paige states that the Perkins Loan Program is "less cost-efficient" than other loan programs and that the allocation formula fails to target "the neediest students." The letter also says that fully funding Perkins Loan cancellations is not necessary because "no borrowers will be denied full cancellation benefits for eligible service." According to Paige, shifting resources from the Perkins Loan Program to the Pell Grant program would be more "effective" in aiding students to finance their postsecondary educations.

The letter does not address the PART study directly, but does state that the Department will implement a new "performance measurement approach" to gather data on the Perkins Loan Program.

COHEAO's original letter regarding Perkins Loan Program funding and the PART evaluation and Secretary Paige's response are attached to *The Torch.*

**New Letter to Support the Perkins Loan Program**

The House Appropriations Committee has recommended eliminating the Federal Capital Contribution for Perkins Loans in the Fiscal Year 2005 federal budget. This would affect schools' 2006-2007 award year if it becomes law. We understand that the full House will
consider this legislation in September, and that the Senate Appropriations Committee will also probably consider it then. Your action is essential to preserving funding for Perkins.

Please find attached a draft letter for you to send to all Representatives and Senators in your state asking that they support the Perkins Loan Program. Please take a look at this draft letter and, very important, customize it to fit your school or company, including placing the letter on your letterhead. 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 attached are talking points on Perkins. These may be especially helpful to your organization’s federal or government relations staff, as will a chart with the state-by-state allocation of Perkins Loans for this year. 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/0405CBConreportApril8CoverLtr.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 or 202-289-3903.

Finally, here is how and where to send the letters. Paper mail is subject to delays, so we strongly suggest that you fax (preferable) or e-mail your letters. Fax numbers are contained in the Congressional directory that COHEAO gave to attendees at the January Annual Meeting. In addition, most Congressional web sites have the fax number, and all should have an email address.

If you don't have a directory, go to the House website for House members sorted by state: http://www.house.gov/house/MemberWWW_by_State.html. For your senators, go to http://www.senate.gov/ and use the pull-down feature to find who your senators are. If you are from a large state and need help with this project, please let us know.

We also ask that you send us a copy of your letter after you have sent it. You can e-mail the letter to astringer@wpllc.net or hwadsworth@wpllc.net or fax it to 202-371-0197.

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

**COHEAO 2003 Annual Reports Now Online**

The COHEAO Annual Reports for 2003 are now available online in the Members Area section of the COHEAO website. If you have difficulty accessing the Members Area section, please contact Andrew Stringer at astringer@wpllc.net

**Visit coheaostore.com and Get Cool Stuff for a Good Cause**

With summer here, why not find appropriate attire at 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**

**Congress in Summer Recess**

The House and Senate have begun the August recess and are scheduled to return to session on September 7. However, due to the release of the 9/11 Commission Report, the House and Senate committees with jurisdiction over national security, intelligence and defense issues are expected to hold hearings over the August recess. No higher education related hearings are expected in either the House or Senate during the August recess.

Because a Senate Higher Education Act reauthorization bill was not introduced prior to the start of the August recess, speculation is increasing that Senate Committee on Health, Education, Labor and Pensions (HELP) Chairman Judd Gregg (R-NH) may not introduce a bill at all this year. However, rumors are circulating that the the HELP Committee will introduce its Higher Education Act reauthorization bill when legislators return.

**Massachusetts Plans for Election for Kerry’s Seat**

The Capitol Hill newspaper *Roll Call* reports that several members of the Massachusetts Congressional delegation are contemplating running for the U.S. Senate seat that would be vacated should Senator John Kerry (D-MA) be elected President of the United States in November.

Out of the 10 members of the Massachusetts delegation, the following are considering running for the Senate seat: Reps. Martin Meehan (D), Bill Delahunt (D), Stephan Lynch (D), Barney Frank (D), Ed Markey (D), and John Tierney (D). Tierney, now serving in his fourth term, is a member of the House Committee on Education and the Workforce.

**Privacy Legislation Update**

Recent legislation in the House that addresses the use of Social Security Numbers (SSNs) has begun to move although similar legislation in the Senate remains stalled. S. 228, the Social Security Number Misuse Prevention Act, sponsored by Diane Feinstein (D-CA) allows the use of SSNs in business-to-business and business-to-government transactions. SSNs are also available for data matching efforts in Federal agencies and in applications for Federal programs. Although the bill was introduced on January 28, 2003, it has not yet been referred to a committee.

On the House side, H.R. 2971, the Social Security Number Privacy and Identity Theft Prevention Act of 2003, was marked-up and passed by the House Ways and Means Committee on July 21. The bill has been referred to the Financial Services and Energy and Commerce Committees. The bill, sponsored by Representative Clay Shaw (R-FL), forbids private sector entities from
releasing SSNs to the general public. Business-to-business and government applications are not addressed in the legislation.

**McKeon Legislative Director to Move to Private Sector**

James Bergeron, legislative director to House Subcommittee on 21st Century Competitiveness Chairman Howard “Buck” McKeon (R-CA), has announced he is leaving Capitol Hill effective August 13. He is joining MARC Associates, a public policy and lobbying firm that supports a number of California education clients. MARC Associates recently entered into a strategic partnership with Foley, Maldanado and O’Toole, LLC, a new firm that will focus on higher education, workforce preparation and community development issues.

**INSIDE ED AND THE ADMINISTRATION**

**Almacy to Become Advisor to Hickok**

David Almacy, most recently the communications director for the White House Initiative on Educational Excellence for Hispanic Americans, has been named a senior advisor to Deputy Secretary of Education Eugene Hickok. The White House Initiative worked to close the educational achievement gap for Hispanic Americans in conjunction with partners in the Hispanic community.

**AORs and FSRs Due August 16**

The Health Services and Resources Administration has published a reminder that Annual Operating Reports (AORs) and Financial Status Reports (FSRs) are due August 16. The loan programs required to submit one or both of these forms include: Health Professions Student Loans (HPSLs); Primary Care Loans (PCLs); Loans for Disadvantaged Students (LDSs); and Nursing Student Loans (NSLs).

For more information visit: [http://bhpr.hrsa.gov/dsa/](http://bhpr.hrsa.gov/dsa/)

**Treasury Secretary Snow Requests Debt Limit Increase**

On August 2, Treasury Secretary John Snow sent a letter to the Ranking Member on the Senate Finance Committee Max Baucus (D-MT) asking him to “pass essential legislation quickly” to increase the federal government’s statutory debt limit. In the letter Secretary Snow estimates that the current limit of $7,384 billion will be reached sometime between late September and early October of 2004. If the Treasury “takes authorized extraordinary actions,” the debt limit will not be reached until “mid-to-late November 2004.” This means that the need to increase the debt limit could come either before or after the November elections.

According to Snow, failure to increase the debt limit would threaten the federal government’s “ability to meet the obligation to pay Social Security benefits, make Medicare payments, protect
our homeland and prosecute the war on terrorism, and maintain the long-term growth of the American economy.”

Secretary Snow addresses the reason for increasing the debt ceiling stating, “The level of outstanding debt subject to limit is a function of past decisions made by previous Congresses and Administrations over decades as well as current and past levels of economic activity. Further, the federal government’s debt subject to limit continues to be significantly driven by required investments of government trust fund balances.”

**INDUSTRY NEWS**

**Credit Bureaus to No Longer Accept Paper Updates**

The major national credit bureaus have announced that as of October 1, 2004 they will no longer accept updates of records on paper. Rather, they have initiated E-OSCAR as an electronic means of updating account records and resolving of disputes.

E-OSCAR does not affect the way in which account records are reported to the credit bureaus. It does replace the hardcopy Universal Data Forms previously used to change a month’s reporting or to change overall status. In addition, schools and servicers may access the system to find records of consumer disputes and reply to those disputes electronically.

The E-OSCAR web site at [http://www.e-oscar-web.net/](http://www.e-oscar-web.net/) provides additional information and online tutorials. Schools may find that their campus-based loan servicer is already using or making plans to use E-OSCAR on behalf of the institution. Schools should coordinate that effort with their servicer and identify which entity will be providing updates and/or resolving disputes.

Be sure to check your e-mail as COHEAO will have a teleconference on the E-OSCAR system in September.

**Education Finance Organizations Address Two-Step Loan Consolidation Process**

On Thursday, the Consumer Bankers Association (CBA), the Education Finance Council (EFC), Sallie Mae and the National Council of Higher Education Loan Programs (NCHelp) sent a letter to the leaders of the House Appropriations Committee and of the Education and Workforce Committee asking that the Cunningham amendment on the two-step consolidation loan process be excluded from the Labor-HHS-Education Appropriations bill.

The text of the letter is provided below:

“Dear Representatives:

“We are writing to express our opposition to an amendment included in the FY 2005 Labor-HHS-Education Appropriations bill at the request of Representative Randy..."
Cunningham, which would prevent the Department of Education from enforcing an April 29th Dear Colleague letter issuing guidance on consolidation loans.

“The Cunningham amendment overturns guidance issued this spring by the Department of Education concerning the proper interpretation of the so-called “single holder rule” contained within the Higher Education Act (HEA). While there is considerable debate as to whether or not the single holder rule should be amended or repealed as part of the reauthorization of the HEA, we believe that the reauthorization process – not the appropriations process - is the proper venue for making any such changes.

“Proponents of the Cunningham amendment argue that the Department’s guidance is detrimental to student loan borrowers who will be unable to consolidate their loans in this period of remarkably low interest rates. This is simply not the case. All borrowers with FFEL Program loans, whether these loans are held by a single lender or not, are eligible to consolidate with at least two lenders – the current holder of their loans and the Department of Education.

“In fact, it is the overturning of the Department’s policy that would have the greater potential of harming student loan borrowers. In their efforts to circumvent the single holder rule, for example, some lenders have pushed the consolidation of Perkins loans without providing borrowers with an accurate picture of the benefits they may lose as a result. A borrower is almost always better off not consolidating a Perkins loan, yet the effect of the Cunningham amendment is to promote this practice. Even with today’s low rates on student loans, consolidating a Perkins loan with a longer term consolidation loan will result in increased interest costs to a borrower of 50 or even 100 percent in addition to the loss of potentially valuable deferment and loan forgiveness benefits.

“We urge Congress to drop the Cunningham amendment. Controversial authorizing changes to the Higher Education Act do not belong within the FY05 Labor-HHS-Education Appropriations bill.”

Kerry-Edwards Campaign Releases “Our Plan for America”

This week, the Kerry-Edwards campaign released a 252-page book called “Our Plan for America: Stronger at Home, Respected in the World.” The Plan is composed of two parts. The first section details policy proposals and the second section is selected speeches by the Democratic nominees for president and vice-president. Education is discussed in the “Family” section, beginning on page 89. Plans for higher education begin on p. 93 and are excerpted below:

“We will expand access to college and make it more affordable. The centerpiece of our plan is a college opportunity tax cut for middle-class families and a new bargain with the states. We will:
• Offer a College Opportunity Tax Credit on $4,000 of tuition for all four years of college that will dramatically reduce college costs for millions of students, especially those who pay their own way and can least afford college now,
• Simplify the student aid process, with shorter forms and better information about how to get aid,
• Offer states $10 billion for higher education, if they will keep tuition increases in line with inflation for the next two years,
• Offer hundreds of thousands of young people the opportunity to pay for college by serving our country for two years. We will pay for that initiative by reforming our student loan system—making sure that the profits of banks are set by an auction in the marketplace, not by lobbyists in Congress.”

To view the Plan online or download a copy, visit http://www.johnkerry.com/plan/.

IRS Renews Interest in Tax-Exempt Organizations

*The Journal of Tax Practice and Procedure* has published an article on Internal Revenue Service (IRS) audits of tax-exempt entities (referred to as exempt organizations, EOs). The renewed focus on EOs comes from increased public and Congressional scrutiny of fund raising activities in light of terrorist activity and controversial tax shelters. As a result, the 2004 Tax-Exempt/Government Entities Implementing Guidelines created two new offices, the Exempt Organizations Compliance Unit (EOCU) and the Data Analysis Unit, under the Exempt Organizations Examination Programs and Review office. Not only will the IRS increase audits of EOs, it will also use more targeted activities, including phone calls and follow-up letters, to examine information reported in form 990.

For more information, visit the IRS website at http://www.irs.gov or visit the Journal’s website at http://tax.cchgroup.com/default

Pennsylvania State University Outlines Perkins eSignature MPN Process

COHEAO member Pennsylvania State University has posted a document that outlines the institution’s practices regarding implementing esignatures on Master Promissory Notes (MPNs) for the Perkins Loan Program. The document can be viewed at http://www.studentloans.psu.edu/pdf/enote.pdf. For additional information, contact COHEAO Board of Directors member Ralph Hosterman at rrh2@psu.edu.

PESC to Hold e-Authentication Assembly

The Postsecondary Electronic Standards Council (PESC) has announced its Assembly on the State of e-Authentication in Higher Education. The Assembly will be held on Friday, August 20, 2004 at the Marriott Crystal Gateway Hotel in Arlington, VA, and will run from 8:30 a.m. – 4:00 p.m. Many leaders and experts from the higher education and technology communities will be speaking, including David Temoshok, director of Identity Policy and Management for the U.S. General Services Administration. Registration is free, but space is limited. Registration is available online at http://www.pesc.org/events/e-authentication.asp.
Recent ACE and CEF Activity

With Congress in recess, the American Council on Education (ACE) and the Committee for Education Funding (CEF) will not meet. The organizations will resume their normal activities in September.

Before the August recess, ACE and eight other higher education associations wrote Senator Chris Dodd (D-CT) to express support for the Getting Results for Advance Degrees (GRAD) bill, S. 2729. Amongst other provisions, the bill increases loan limits for graduate students from $10,000 to $12,500. It has been referred to the Committee on Health, Education, Labor and Pensions and currently has two cosponsors. For additional information on this legislation, visit http://thomas.loc.gov.
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hwadsworth@wpllc.net
July 1, 2004

The Honorable Rod Paige  
Secretary of Education  
400 Maryland Avenue, SW  
Room 7W301  
Washington, DC 20202

Dear Secretary Paige:

The Coalition of Higher Education Assistance Organizations (COHEAO) urges the administration to reconsider its position regarding the Perkins Loan program as expressed in the President’s FY 2005 budget proposal and in testimony before the Appropriations Committee by Assistant Secretary for Postsecondary Education Sally Stroup. We believe that the Perkins Loan program remains an essential part of our nation’s commitment to ensuring access to higher education for all qualified students, by providing vital additions of loans under favorable terms to students across the country. Every dollar of Perkins Loan funds helps fill the financial aid gap, and the loans are targeted towards the neediest students.

Specifically, we ask that you support the continuation of the federal capital contribution and that you support an increase in loan cancellation funding in order to fully reimburse campus revolving funds so that they can continue to help students enter careers in the relatively low-paying public service professions of teaching, law enforcement, the military, the Peace Corps, nursing and family social services.

COHEAO is a unique coalition comprised of some 300 colleges, universities and commercial organizations with a shared interest in fostering improved access to postsecondary education, particularly through the Perkins Loan Program. We believe – and have seen for ourselves -- that the Perkins program plays a critical role in our nation’s financial aid system, especially for the lowest-income students. Stafford loan limits have not increased since 1992, and the budget proposes only a modest increase this year, while the cost of higher education has risen. Perkins Loans help fill the need gap.

More than 2,200 postsecondary institutions have chosen to provide Perkins Loans to their students over the past 43 years because they know the program works. These same institutions have gladly met their matching requirement of at least 25 percent investment on all loans. However, over the past decade funding for new loan capital has decreased, and many institutions have been forced to provide more than the required match for these loans. This illustrates the continued demand for Perkins Loans.
In addition, funding for cancellations over the last several appropriations cycles has not allowed the Department of Education to fully reimburse participating institutions, as is required by law, and continued flat funding of this program will result in approximately 40,000 students being denied much-needed Perkins loans in the coming year.

With fees having already increased nearly 67 percent for private 4-year institutions and 65 percent at public 4-year institutions in the past decade, this is not the time to eliminate the federal capital contribution for Perkins Loans. We believe that appropriating $140 million for federal capital contributions and $120 million for the loan cancellation fund will ensure that as many students as possible can afford the opportunity of higher education.

We would also like to express our strong concern that the Office of Management and Budget’s Program Assessment Rating Tool (PART) evaluation of the program comes to unfair conclusions about its efficacy. COHEAO agrees that the PART evaluation system could provide the Department, Administration and general public with insight into the value of federal programs. However, we believe that incorrect conclusions, scoring criteria and methodology in the PART evaluation of the Perkins Loan program lead to the program receiving an unjustly low score. Budget priorities and the future of this important program should not be based on the Perkins Loan program PART results.

COHEAO believes that the conclusions reached in questions 1.2 and 1.3 in the PART are incorrect in that the Perkins Loan program addresses a very specific and existing problem. 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 limits in those programs. More than 2,200 schools and 700,000 students clearly need the Perkins Loan program.

In questions 1.2 and 1.3, the PART study compares Perkins Loans with the Direct Lending and FFEL loan programs. In questions 3.CR1 and 3.CR2 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 for the purposes of evaluation, the Perkins Loan program should be compared with other formula grant programs, not credit programs. Also, questions 3.BF1 and 3.BF2 should be substituted for 3.CR1 and 3.CR2 because they are more appropriate questions on which to evaluate the Perkins Loan program.

We contest the PART’s evaluation of the Perkins Program in Question 2.2 as well. The question asks if the program has “ambitious targets and timeframes for its long-term measures.” In the PART Budget Procedures Memorandum governing the use of the PART (BPM #861), data collection is never listed as a criteria for evaluation; however, the PART final evaluation cites the lack of annual data (resulting from the fact that the targets and timetables are new) as the reason for receiving a “no,” a self-executing answer that has no factual basis. This question is not valid in the context of Perkins and should be discarded. The Perkins Loan program should not be subject to additional PART criteria outside what is found in the PART BPM. This same line of reasoning applies to the scoring of question 2.4.

Question 4.1 should receive a score of “N/A” instead of “no” because the program cannot demonstrate progress because the evaluation tools have not yet been given time to generate
adequate data. Therefore, there is no adequate data for the PART to make a “yes” or “no” evaluation of the Perkins Loan program with regards to this question. More appropriately, the answer should be “yes” since there is no evidence upon which to base a “no” answer.

The same inappropriate structuring and scoring of questions 3.CR1 and 3.CR2 lead to a “no” score in question 4.4. As previously stated, for purposes of program comparison, the Perkins Loan program should be compared with other formula grant programs. The Perkins Loan program should be re-evaluated with the appropriate questions (3.BF1 and 3.BF2).

The corrections outlined above would improve the Perkins Loan program’s PART score significantly. Section 1 would receive a score of 60 percent. Section 2 would receive a score of 74 percent. Section 3 would receive a score of 55 percent and Section 4 would receive a score of 33 percent. These scoring adjustments would put the Perkins Loan program in the same range as the Federal Family Education Loan and Direct Lending programs, which received “adequate” ratings, instead of the current Perkins Loan program rating of “ineffective.”

As participants in the Federal Perkins Loan Program, we know firsthand the importance of Perkins loans to low-income borrowers. At a time when access to education is increasingly important, we ask again that you fully support the Perkins Loan program, a key part of our nation’s investment in education. We look forward to working with you and your staff. If you would like to discuss this issue, please contact Executive Director Harrison Wadsworth at 202-289-3903.

Sincerely,

Jeanne Dotson  
President

Alisa Abadinsky  
Vice President

Harrison M. Wadsworth  
Executive Director

CC: The Hon. Sally Stroup  
The Hon. Joshua B. Bolten
July 27, 2004

Ms. Jeanne Dotson  
President  
Coalition of Higher Education Assistance Organizations  
1101 Vermont Avenue, N.W., Suite 400  
Washington, DC 20005

Dear Ms. Dotson:

Thank you for your letter of July 1, 2004, urging the Bush Administration to reconsider its FY 2005 budget proposal to eliminate funding for the Federal Capital Contribution (FCC) in the Federal Perkins Loan Program. You request that the Administration and the Department of Education instead support both the continuation of FCC funding and an increase in loan cancellation reimbursement funding for the Federal Perkins Loan Program.

You also contest the Office of Management and Budget’s Program Assessment Rating Tool (PART) evaluation of the Perkins Loan Program as “ineffective,” which formed the basis for the Administration’s decision to eliminate funding for FCC, because you believe the evaluation is based on incorrect conclusions and inappropriate scoring criteria.

We have considered your arguments and the purpose of the Federal Perkins Loan Program, and we continue to believe that funding FCC would be redundant and duplicative given the broad availability of need-based, subsidized, relatively low interest loans through the Federal Family Education Loan (FFEL) and Federal Direct Loan (DL) programs. Moreover, the Perkins Loan Program is less cost-efficient than the FFEL and DL programs, and the current statutory formula for allocating funding to schools that participate in the Perkins Loan Program fails to target aid to the neediest students.

We believe that the current FY 2005 proposal for funding loan cancellation reimbursement adequately addresses institutional needs in the current budget environment, and not that, although the proposal does not fully reimburse institutions for cancelled loans, no borrowers will be denied full cancellation benefits for eligible service.

We believe that needy students will be better served by eliminating funding for the Perkins Loan Program and redirecting funds to more effective student aid programs such as the Pell Grant Program. We also intend, as long as the program exists, to impellent a new performance measurement approach that includes meaningful efficiency measures and the collection of improved program and financial data.

Sincerely,

Rod Paige
cc: Ms. Alisa Abadinsky, Vice President
    Mr. Harrison Wadsworth, Executive Director
August XX, 2004

The Honorable X
United States X
X Office Building
Washington, D.C. X

Dear X:

On behalf of <<insert school name here>>, we urge you to restore the $98.7 million cut in funding for the Perkins student loan program that is proposed by the House version of the appropriations legislation for the Department of Education. The elimination of most of the funding for Perkins loans will mean that <<your state>> will lose <<insert your state’s funding here>> next year. Without this money, a federal capital contribution that is partially matched by school funds, some students in <<your state>> will not receive the student loan funds they need for higher education. This cut is real. And, since Perkins Loans serve the lowest income students, and it will hurt those who need financial aid the most.

The demand for Perkins Loans always outstrips the supply of loan funds. Stafford Loans are not a substitute – their loan limits are far too low for many students. By cutting Perkins loans, you will be forcing students 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 students will be turned down. Please don’t deny current and future students the opportunity for higher education by cutting the Perkins Loan Program.

At <<institution>> we receive <<insert FCC>> annually as part of the Perkins Loan Federal Capital Contribution. Without the capital contribution, we will not be able to make <<insert number of loans that your institution would be unable to make without the FCC. If this figure is unavailable, divide your school’s FCC by the size of the average Perkins Loan, $1,790.>> next year.

More than 2,200 postsecondary institutions have chosen to provide Perkins Loans to their students over the past 43 years because they know the program works. We believe -- and have seen for ourselves -- that the Perkins program plays a critical role in our nation’s financial aid system, especially for the lowest-income students. The capital contribution is needed to help students now. Because the funds will be repaid and re-lent, Perkins represents a direct investment in our country’s future.

At a time when access to education is increasingly important, we again ask that you restore funding for the Perkins Loan Federal Capital Contribution at least to this year’s level of $98.7 million, a level far below the $250 million authorized by the Higher Education Act. If you would like to discuss this issue further, please contact <<insert contact information>>.

Sincerely,
SUPPORT FUNDING OF PERKINS LOANS FOR LOW-INCOME STUDENTS

- The demand for Perkins Loans always outstrips the supply of loan funds. Stafford Loans are not a substitute – their loan limits are far too low for many students.

- 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 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-income students will be turned down.

- Students often take advantage of the opportunities to have their Perkins Loans forgiven by working in 12 different public service professions, such as teaching, nursing, the military, law enforcement, corrections and the Peace Corps. Unless campuses are reimbursed for cancellations, loans will not be available for future generations of students. Additional funding is needed to make up for past shortfalls.

- The $140 million requested by COHEAO and the Student Aid Alliance for the Federal Capital Contribution would result in at least $175 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.

- Without the federal contribution and its minimum school matches, almost 100,000 additional low-income students across the country won’t receive the loans they need for higher education. ($175 million divided by the average Perkins loan of $1,790). Failing to fund the contribution means that students from every state will be left out. Even failing to fund last year’s federal contribution of $98.7 million will, counting the school matches, leave 69,000 students without the funds they need next year.

- Because the Perkins Capital Contribution is forward funded, the FY2004-2005 appropriation funds the 2005-2006 academic year. Any increased funds available from consolidation loan payoffs of Perkins will be gone, since rising interest rates will sharply reduce the desirability of consolidation. Regardless, even with the increased repayments from consolidation loans, schools are lending all of their Perkins money to needy students.

- **Request:** Include in the FY2005 appropriation for the Department of Education $140 million in funding for the Perkins Student Loan Program Capital Contribution and $120 million in reimbursements of cancelled loans. The authorized maximum is $250 million. The FY2004 levels were $98.7 million for the capital contribution and $66.7 million for reimbursements.
## State Totals of the Federal Capital Contribution for Perkins Loans,
Award Year 2004-2005

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

2005 COHEAO Annual Meeting

The Ritz-Carlton Hotel, Pentagon City
Arlington, Virginia

January 30 - February 2
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