MESSAGE FROM THE PRESIDENT
JEANNE F. DOTSON

I am now officially a “Hurricane”! The first, Charley, was my Grandfather, Father, and Grandson. Frances was my Mother and my middle name. Ivan must have been a neighbor and Jeanne is due to arrive. This is bizarre, but no more bizarre than I.

COHEAO needs your help! Many of you have very good ideas regarding what you would like to see as sessions of interest at our conferences. We are asking for volunteers to be a part of the planning committee for this coming Annual Conference to be held in Washington the end of January. Please get involved and contact Andrew Stringer or Harrison Wadsworth as soon as possible at 202-289-3903 or astringer@wpllc.net, hwadsworth@wpllc.net. E-mail will be sent out very soon explaining when the conference calls will take place.

We have a winner! The evaluations from the Mid-Year Conference were put in to a drawing (many of you forgot to sign yours) and the winner is Mr. JAMES MCNUTT FROM OHIO STATE UNIVERSITY. MR. MCNUTT HAS BEEN A MEMBER OF COHEAO SINCE 1988. Congratulations, Jim! A COHEAO shirt will be mailed to you before the annual meeting! Thanks to all of you who did fill out and turn in the evaluations.

We will meet again.
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COHEAO News

COHEAO to Hold Teleconference on E-OSCAR on October 7

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.

COHEAO is sponsoring a teleconference on E-OSCAR on October 7 at 2 p.m. eastern time. Speaking at the teleconference will be representatives from the credit bureau industry and schools. To register for the teleconference, visit the COHEAO website at http://www.coheao.org/ or complete the registration form attached to this issue of The Torch and fax or mail it in.

COHEAO to Hold Teleconference on Perkins Lobbying in November

In other teleconference news, COHEAO will hold a teleconference in November to discuss effective ways to lobby Congress regarding the Perkins Loan Program. The teleconference will discuss effective ways to manage grassroots efforts, write letters and schedule visits with Members of Congress. Stay tuned to The Torch for more details.

Letter to Support the Perkins Loan Program

The Senate Appropriations Committee’s decision to fund the Perkins Loan Federal Capital Contribution in the FY2005 Labor, Health and Human Services and Education appropriations bill is an important show of support for the Perkins Loan Program, but it does not mean that the fight is over. We still need your letters to the House and Senate to show how important Federal Capital Contribution funding is. If the Labor-HHS appropriations bill goes to conference (not a given this year), Perkins Loan funding will be a point of dispute between the House and Senate bills. We need your letters to tell possible conferees why it is necessary to fund the Federal Capital Contribution.

A number of COHEAO members have written or called their congressmen and senators to support funding for the Perkins Loan Program. This is encouraging, and it is one reason the Senate supported the program, but more needs to be done, and done right away!

Please find attached an updated 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 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, to make sure you can find them, are talking points on Perkins with the chart of 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/cbmpmaterial/0405CBCongreaprtApril8CoverLtr.html](http://www.ifap.ed.gov/cbmpmaterial/0405CBCongreaprtApril8CoverLtr.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](http://www.house.gov/house/MemberWWW_by_State.html). For your Senators, go to [http://www.senate.gov/](http://www.senate.gov/) and use the pull-down feature to find who your senators are. If you need help with this project, please don't hesitate to call Andrew or Harrison.

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

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

**It's Fall: Time to Find Something for the Cooler Weather at the COHEAO Store**

With fall here, why not find appropriate attire at [http://www.westernprinting.net/coheao](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.

**Got Ideas? Volunteer to Help Set the Agenda for the 2005 COHEAO Annual Meeting**

COHEAO’s Annual Membership Meeting will be held starting the evening of January 30, 2005 and ending on February 2. The meeting will take place at the Ritz-Carlton Pentagon City in Arlington, Virginia, just across the river from Washington, DC.

If you have any suggestions for possible topics for the Annual Meeting or would like to volunteer be part of a group of COHEAO members that helps to set the meeting agenda please let Andrew Stringer know as soon as possible at 202-289-3903 or astringer@wpllc.net. This is a
good opportunity to help us decide which issues are the most pressing for the COHEAO membership.

**CONGRESS**

**Senate Appropriations Committee Funds Federal Capital Contribution:**

**House Passes Bill With No FCC**

The Senate Appropriations Committee marked-up the FY2005 Labor, Health and Human Services and Education appropriations bill on September 15, approving the subcommittee's decision to fund the Perkins Loan Federal Capital Contribution and Loan Cancellations at FY2004 levels. This means that for FY2005, the Committee recommends that the Perkins Loan Program receive $98.8 million for the Perkins Loan Federal Capital Contribution and $66.7 million for Loan Cancellations. Overall, the Senate bill provides $3.2 billion more for the Department of Education relative to FY2004. This is approximately $1.2 billion more than what the House allocated.

The following is report language from the Senate appropriations bill regarding the Perkins Loan Program:

“The Committee bill includes $98,764,000 for Federal Perkins loans capital contributions. The comparable fiscal year 2004 funding level is $98,764,000 and the budget request does not include any funds for this purpose. The amount recommended, when combined with institutional revolving funds, would maintain the 2005 loan volume at the current estimated level of $1,200,000,000. At this funding level more than 600,000 loans would be made.

The Federal Perkins loan program supports student loan revolving funds built up with capital contributions to about 2,000 participating institutions. Institutions use these revolving funds, which also include Federal capital contributions [FCC], institutional contributions equal to one-third of the FCC, and student repayments, to provide low-interest (5 percent) loans that help financially needy students pay the costs of postsecondary education. The Committee has included the amount necessary to maintain the current loan volume level.

The Committee also recommends $66,665,000 for loan cancellations. The comparable funding level for fiscal year 2004 and the budget request both are $66,665,000 for this activity. These funds reimburse institutional revolving funds on behalf of borrowers whose loans are cancelled in exchange for statutorily specified types of public or military service, such as teaching in a qualified low-income school, working in a Head Start Program, serving in the Peace Corps or VISTA, or nurses and medical technicians providing health care services.”
Regarding the Floor schedule for the Senate Labor-HHS bill, it seems unlikely that there will be time before the target adjournment date – now estimated to be Friday, October 8, to bring the bill up. The Senate may skip the first round of floor action on the bill and work informally with the House on a final bill so that the Senate only has to pass it once.

On September 9, the House passed their FY2005 appropriations bill, H.R. 5006, 388-13. With regards to higher education, the bill provides some small increases to campus-based aid programs, but does not fund the Federal Capital Contribution for the Perkins Loan Program – which amounts to a $98.8 million dollar cut from this year’s funding. The House and Senate will have to resolve differences between the two versions of the appropriations legislation before passing a final bill.

There were two significant amendments to the Labor-HHS bill on the House floor. The first, offered by Appropriations Committee Ranking Member David Obey (D-WI), blocked overtime regulations that recently went into effect in late August. Many believe that this amendment could be a significant source of conflict between Congress and the Bush Administration. The second amendment, and relevant to the higher education community, was introduced by 21st Century Competitiveness Subcommittee Ranking Member Dale Kildee (D-MI) and by Rep. Chris Van Hollen (D-MD). The bill closes the regulatory loophole that allows some student loan holders to receive added interest rate benefits in what is known as “9.5% floor income.” Sen. Patty Murray (D-WA) offered a similar amendment in the Senate Appropriations Committee, but it was defeated after Committee Chairman Ted Stevens (R-AK) objected on procedural grounds.

CBO Reports Improving Federal Deficit Figures

On September 7, the nonpartisan Congressional Budget Office (CBO) released an update of its “Budget and Economic Outlook,” projecting the FY2004 deficit to be $422 billion -- $56 billion lower than CBO estimated in March. The report, published every year to serve as an update from the budget projections issued in March, notes that federal spending on consolidation loans is expected to increase dramatically.

Although projections for the budget deficit in 2004 are lower than originally estimated, deficits projected for 2006 and beyond have grown; over the next ten years the deficit is estimated to grow by $281 billion.

With regards to education, CBO predicts outlays for education will grow by 8 percent in 2004, compared with 18 percent last year. For student loans, CBO’s baseline projections of mandatory spending in this area are $9 billion in 2004, $5 billion in 2005, and $6 billion in 2006. CBO projects an increase of $4.3 billion for student loans “because of a higher-than-expected volume of loan consolidations.”

To view the entire report, visit http://www.cbo.gov/ftpdocs/57xx/doc5773/08-24-BudgetUpdate.pdf

Spratt Releases Report on Why Youth Should Care About Federal Deficits
Ranking Member on the House Budget Committee John Spratt (D-SC) released a report, “Reality Bites: Why Younger Generations Should be Concerned About the Deficit,” providing detailed information on the effects of escalating federal deficits. Included in the report is an analysis of the President’s FY2005 budget, specifically criticizing the President’s proposed elimination of the Perkins Loan Federal Capital Contribution along with freezes in the Pell Grant maximum.


**Amendment Prohibits IRS from Hiring Collection Agencies**

On September 15, the House passed an amendment by Rep. Shelly Capito (R-WV) to the FY2005 Transportation and Treasury Appropriations bill that would prohibit the Internal Revenue Service (IRS) from hiring outside contractors to collect outstanding debt. The amendment was passed by voice vote on the House floor. While current law does not allow the hiring of outside debt collectors, the President’s FY2005 budget request asked Congress to allow the IRS to do so. Commenting on the amendment, Representative Chris Van Hollen (D-MD) said, “we shouldn’t turn [IRS tax collectors] into bounty hunters for their own personal profit.”

**House Financial Services Committee Holds Hearing On Credit Rating Agencies**


Chairman of the Full Committee Michael Oxley (R-OH) made an opening statement saying that credit rating agencies have preformed well, but “failed to identify pending disasters at Enron, WorldCom, and elsewhere.” Oxley added that he is “troubled by the conflicts of interest plaguing the major ratings agencies. Now they are offering additional services including consulting and hypothetical rating assessments that could further compromise their independence.”

While there is no outstanding legislation on regulating/reforming credit rating agencies, Oxley said he would like to see “more competition, more transparency, greater disclosure about the underlying assumptions that influence rating decisions, better record keeping, and improved oversight of approved rating agencies.”


**INSIDE ED AND THE ADMINISTRATION**

**IRS and Treasury to Waive Penalties on Related to Student Loan Interest Tax Deduction**
On September 17, the Internal Revenue Service (IRS) and the Treasury Department announced that they will not penalize lenders for failing to report capitalized interest and loan origination fees as they relate to the student loan interest tax deduction for 2004. As of May 2004 regulations, lenders are required to report capitalized interest, origination fee amounts and interest paid on other education loans made after September 1, 2004. In order to accomplish this, several lenders needed to upgrade their reporting systems. In order to provide lenders with enough time to implement the necessary systems for the new reporting requirements, the IRS and Treasury Department delayed the reporting requirement. Lenders will now be required to report the information for all loans made in 2005, instead of all loans made after September 1, 2004.

Greg Jenner, acting assistant secretary for tax policy, commented on the change in implementation date saying, “The notice issued today provides administrative relief to lenders and borrowers…penalties will be waived for lenders who need additional time to update their reporting systems. Meanwhile, affected borrowers may use a reasonable method in computing deductible interest.”

For more information, visit: [http://www.treas.gov/press/releases/reports/n200463.pdf](http://www.treas.gov/press/releases/reports/n200463.pdf)

**FBI to Directly Access SEVIS Data**

In a decision announced on September 14, the Federal Bureau of Investigations (FBI) will have the ability to directly access the Student and Exchange Visitor Information System (SEVIS) operated by the Department of Homeland Security. The decision was suggested in the final report of the 9-11 Commission. According to the FBI, safeguards and audits are in place to ensure that the information gathered is used only for law enforcement purposes. Commenting on the issue Terry Hartle, senior vice president for government and public affairs at the American Council on Education (ACE), said, “It conveys yet another signal that the United States isn’t as welcoming to international visitors as we have been in the past.”

**Department Posts Dear Colleague Letter on Default Reduction Assistance Program**

The Department of Education has released a Dear Colleague letter detailing information on the Department’s Default Reduction Assistance Program (DRAP). DRAP allows schools to request that the Department send a letter directly to Perkins Loan borrowers currently in default explaining the consequences of default. The goal of this effort is to bring borrowers back into repayment before collection agencies have to get involved. The letter also provides information on how to file DRAP requests and who to contact with questions.

To view the letter, visit: [http://www.ifap.ed.gov/dpcletters/CB0411.html](http://www.ifap.ed.gov/dpcletters/CB0411.html)

**Department Releases End-of Fiscal-Year Information**

The Department of Education has released information on temporary changes in procedure due to the end of the 2004 fiscal year on September 30. Specific to campus-based programs, the
GAPs e-payment system will be unavailable from Friday, October 1 to 6 a.m. on Monday, October 4.

For more information, visit:

**FY2002 Cohort Default Rates Released**

The U.S. Department of Education has announced the FY2002 FFELP and Direct Loans Official Cohort Default Rates to all eligible schools. All domestic schools will received their FY2002 official rate electronically via their Student Aid Internet Gateway (SAIG) mailbox, and foreign schools will receive their FY2002 official rates in hard copy via the U.S. Postal Service.

For additional information on the how the rates are distributed, visit:

A briefing document prepared by the Department of Education on the rates is available at:

A guide to the rates for lenders and guaranty agencies is available at:

**Department Releases Hardware Requirements for Federal Student Aid Programs**

The Department of Education has released computer hardware requirements in order to participate in electronic activities with the Department of Education. These activities include submission of the Fiscal Operations Report and Application to Participate (FISAP); using the Student Aid Information Gateway (SAIG) and the ability to submit Perkins Loan data to the National Student Loan Data System (NSLDS).

Hardware specifications can be found at:
http://a257.g.akamaitech.net/7/257/2422/06jun20041800/edocket.access.gpo.gov/2004/E4-2185.htm

**NCES Releases Report on Federal Student Aid**

The National Center for Education Statistics (NCES) has released a report on federal student aid. The report, “A Decade of Undergraduate Student Aid: 1989-90 to 1999-2000,” analyzes data from the four previous National Postsecondary Student Aid Studies (NPSAS). The report found that Perkins Loan volume has decreased for all categories of institutions, except for private, non-profit, four-year institutions, where lending has remained constant.

The report includes several statistics on who receives Perkins Loans. These statistics include (all for the 1999-2000 academic year):
- Of all independent students in the lowest quartile of family income who received federal financial aid, 13.2 percent received a Perkins Loan;
• Of all married students with dependents attending a four-year public institution and receiving federal financial aid, the average Perkins Loan was $2,100;
• For all students receiving financial aid (but necessarily Perkins Loans), Perkins Loans average $117 per student for those attending four-year public institutions.

To view the report, visit: http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2004158

INDUSTRY NEWS

Sallie Mae Buys Majority Stake in Arrow Financial Services

On September 17, Sallie Mae announced that it bought a majority share in Arrow Financial Services. Arrow Financial Services is a Niles, Illinois-based debt purchasing and collections agency with offices in Illinois, Maryland, California, Wisconsin and New York. Although the acquisition price was not disclosed, Sallie Mae will have the option to purchase the remaining shares in privately held Arrow over the next three years.

Recent ACE and CEF Activity

With Congress back in session, the American Council on Education (ACE) and the Committee for Education Funding (CEF) are meeting again. With little movement on reauthorization of the Higher Education Act, ACE has little to discuss. Movement on the House bill has stalled and will not move until the 109th Congress. The current rumor on when Senate Republicans on the Health, Education, Labor and Pensions (HELP) Committee will introduce their bill is now sometime on the week of September 20 – although rumors of “next week” have been around since March.

CEF returned to its weekly meeting schedule with a key Republican staffer on the Senate Labor-HHS Appropriations Subcommittee discussing the FY2005 bill. As the appropriations process continues, CEF will continue to communicate its message of the need for increased education funding to Congress. CEF is also gearing up for its annual Awards Gala in Washington, D.C. next week where several COHEAO members will represent our organization.

Also, COHEAO is a member of the Student Aid Alliance (SAA). This group is a coalition of a wide variety of organizations committed to increasing federal student aid, including funding for Perkins Loans. On September 15, SAA held its second annual breakfast on Capitol Hill. The event featured keynote addresses from Representatives Chaka Fattah (D-PA) and Tim Bishop (D-NY) as well as several personal stories from students at higher education institutions around the country regarding how they have benefited from federal student aid. One of the students mentioned how important his Perkins Loan was in being able to finance his college education.

For more information on the SAA, visit: http://www.studentaidalliance.org/. COHEAO was represented by Harrison Wadsworth and Andrew Stringer.
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September 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

<table>
<thead>
<tr>
<th>State</th>
<th>Perkins FCC</th>
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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
Register for the
COHEAO Teleconference on
E-OSCAR
Thursday, October 7, 2004
2:00 – 3:30 p.m. Eastern

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

Prices for the COHEAO teleconference on E-OSCAR are:

**Members (primary or secondary):** $75
**Non-Members:** $100

To register, please complete this form and fax it to 202-371-0197, or visit www.coheao.org and complete the online registration form. Payments can be made by credit card online at www.coheao.org or by check. Checks should be made payable to COHEAO, and mailed to: 1101 Vermont Ave., NW, Suite 400, Washington, DC, 20005. Please remember to include a copy of this form when payment is sent. If you have any questions, contact Andrew Stringer at 202-289-3903 or by email at astringer@wplic.net. COHEAO’s Federal Tax ID number is 52-123-6537.

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