

In this issue . . .

- Legislative Frenzy to Continue into the Fall
 - Senate Banking Committee Writes Private Loan Regulations
 - Congress Approves Another Short-term Extension of HEA
 - U-CAN Tops 350 Participants, September Launch Planned
-

Legislative Frenzy to Continue into the Fall

July was a busy month in Washington, with Congress acting on legislation in almost every issue area of importance to private colleges, moving bills that we have been working on for months – if not years, in some cases – and taking one almost all the way to conference.

In July, both the House and Senate passed higher education reconciliation bills, the Senate passed its version of the Higher Education Act (HEA) reauthorization, and the House passed its education appropriations bill. Also, nearly every week since May has been filled with rumors of a pending HEA tax bill in the Senate Finance Committee, with action now expected in the fall.

NAICU has alerted our member presidents and provided talking points on our top priorities, in preparation for action in September. (*See the August 6 Action Alert on the NAICU Web site at www.naicu.edu/docLib/20070807_NAICUActionAlert.80607.pdf.*)

Reconciliation

As late as July 24 – just two weeks after the Senate passed reconciliation, and one week after it passed its HEA reauthorization bill – rumors were flying around Washington about the prospects of conferencing reconciliation and sending it to the president before the August 3 recess.

Now, as the August recess begins, it is clear that the reconciliation bill will be near the top of the congressional agenda when members return after Labor Day. Leading the conference negotiations will be the House and Senate education committee chairmen, Rep. George Miller (D-Calif.) and Sen. Ted Kennedy (D-Mass.). It is unclear who else from the committees is involved in conversations.

The bill is considered the first part of HEA reauthorization, done as separate budget legislation to speed its consideration in both chambers. At its core, the bill cuts student loan subsidies to lenders, and then uses the funds to boost student aid funding.

Appropriations

Also on the agenda for the fall will be finalizing the FY 2008 education appropriations bills. NAICU supports the House bill, which includes a \$390 increase in the Pell Grant maximum, to \$4,700; no cuts to SEOG and LEAP, and increases in TRIO and GEAR UP. The Senate bill, which has not reached floor consideration yet, maintains a level Pell Grant maximum at \$4,310; with no cuts to SEOG and LEAP and increases in TRIO and GEAR UP. Senate appropriators had \$2 billion less than the House to work with when writing their education and health bill, and are counting on the reconciliation bill to further increase need-based aid for low-income students.

It will be difficult for senators to find floor time in September for the education appropriations bill, with the release of the GAO and White House reports on Iraq. Because FY 2008 begins on October 1, Congress most likely will have to enact a series of continuing resolutions before finalizing an omnibus package in December. As a plan for moving the annual appropriations bills, this is the farthest from ideal the Democrats could want, in their new leadership positions. But with veto threats from the administration on all domestic bills, and the Senate floor being held up by delay tactics, this seems to be the only way out for appropriations bills this fall.

Tax

This fall also will see action on a higher education tax bill. The Senate Finance Committee has been working on a \$20-25 billion tax package that would combine popular higher education tax incentives – Hope and Lifetime Learning credits, and the tuition deduction – into a single "super credit."

However, to help pay for the bill, the committee has been considering limits on the benefits under IRC Sec 117 (d) – the tax-free treatment of tuition remission – and implementing a "price control" from the tax side. These proposed controls would limit the amount of tax-exempt bonds a college can offer, or would require an annual 5 percent endowment payout if an institution's tuition increases above a certain benchmark.

NAICU is working closely with finance staff to ensure that whatever bill is considered is generous to students and families, but puts as little burden as possible on our institutions. We also have undertaken intensive efforts to avoid these problematic offsets, through appeals from selected presidents in key senators' states, and continuing work with committee staff as they write the bill. There are indications that these efforts are being felt.

Even more importantly, Congress must take action before December 31 to ensure that the soon-to-expire IRA Charitable Rollover and tuition deduction for families remain in place. NAICU is working with both chambers to get these important provisions extended.

Higher Education Act Reauthorization

The House education committee staff will soon be putting together its HEA reauthorization bill – at the same time it is supposedly putting together "No Child Left Behind," the reauthorization of the Elementary and Secondary Education Act.

Enjoy August, and prepare for a fall that is shaping up to be even busier than the summer has been. We will be calling on you many times in the months ahead.

For more information, contact Maureen Budetti, maureen@naicu.edu

Senate Banking Committee Writes Private Loan Regulations

The Senate Banking Committee has marked up the "Private Student Loan Transparency and Improvement Act," which would impose new federal regulations on the private student loan industry. With a brief introduction of the bill by Chairman Chris Dodd (D-Conn.), the committee reviewed the manager's amendment, including three amendments, and passed the bill unanimously on August 1, all in a matter of about five minutes.

The bill is intended to protect student borrowers and sever special relationships between lenders and institutions of higher education. Specifically, the bill would amend the Truth in Lending Act to:

- prohibit lenders from offering gifts to schools or employees in exchange for preferential consideration of their loans or services;
- prohibit revenue-sharing and co-branding arrangements with institutions of higher education;
- prohibit advisory board members from receiving anything of value from private lenders other than reasonable expense reimbursement; and
- prohibit prepayment penalties.

The bill also requires lenders to provide very clear disclosures about the terms and conditions of their loans to borrowers at three different points during the loan application and approval process. The required disclosures include rates, fees, deferral options, and notification of the borrower's eligibility for cheaper federal student loans.

Another borrower benefit is a new 30-day "shopping window." During this period, students can lock in the rate of the loan they've been approved for, while continuing to explore other loan options to ensure that they've gotten the lowest rate possible. An amendment to this section by Sen. Mike Enzi (R-Wyo.) ensures that loan disbursements do not have to be withheld during this period, if the borrower so wishes. NAICU worked to ensure that this improvement was integrated into the underlying bill.

Another provision of the bill allows borrowers a three-day "cooling off" period after having accepted the loan, during which the borrower may cancel the loan without any legal or financial penalty.

The bill provides credit to private educational lenders making low-cost loans to low-income borrowers, with the credits to be used in meeting those lenders' community contribution obligations under the Community Reinvestment Act of 1977. It also requires the Financial Literacy and Education Commission to develop and evaluate initiatives to improve student awareness programs regarding student financial aid – particularly the cost, obligations, and rights associated with educational loans. An initial requirement for lenders to provide reports on their private educational loans by individual and institutional characteristics has been replaced by a study of the effect of these factors on the price of the loans.

When the student loan scandal broke earlier this year, Chairman Dodd began working on this legislation. As a member of the Health, Education, Labor and Pensions Committee, he originally planned to offer the bill as an amendment to the Higher Education Act reauthorization (S. 1642) during floor consideration. While that did not materialize, it could still be added when the House and Senate conference their bills this fall. There is no similar legislation in the House.

For more information, please contact Maureen Budetti at maureen@naicu.edu

Congress Approves Another Short-term Extension of HEA

The House approved a three-month extension of the Higher Education Act on July 25. The Senate had passed the extension the day before. The bill would temporarily extend programs under the Higher Education Act of 1965 (HEA) until October 31.

This is the second short-term extension to the HEA this year. The first, PL 110-44, was signed into law on July 3, and expired on July 31.

U-CAN Tops 350 Participants, September Launch Planned

The University & College Accountability Network (U-CAN), first announced to all NAICU members only a little over a month ago, has already attracted over 350 participating institutions, with more being added daily. (*A regularly updated list of participants is posted on the NAICU Web site at www.naicu.edu/special_initiatives/id.613/default.asp.)*

The project is intended to address concerns by policy makers and consumers about the lack of clear, consistent, and comparable information for use in making an informed choice of college. The U-CAN template has been developed through focus groups, and with input from private college leaders. It will provide, in a common format, Web-based consumer-friendly information on individual private colleges and universities.

The project will be launched publicly in September through a national and regional media campaign. At present, field tests are underway on the data entry process used to generate the graphic profile, narrative components, and Web links for each institution. Data entry by the full list of participants is expected to begin later in August.

Background on the U-CAN project, available on the NAICU Web site, includes a list of frequently asked questions and links to media coverage, as well as the list of participants. Institutions may sign up to become part of the effort by using the on-line U-CAN participation form at www.surveymonkey.com/s.aspx?sm=X0N4oE1_2fw0k4tKilegIY8g_3d_3d.

For more information, contact Roland King, roland@naicu.edu

The Week in Review is published by the National Association of Independent Colleges and Universities.

Leslie H. Garner, Jr., President, Cornell College (Iowa), *Chair, NAICU Board of Directors*
David L. Warren, *NAICU President*
Sarah A. Flanagan, *Vice President for Government Relations and Policy Development*
Roland H. King, *Vice President for Public Affairs and Acting Editor*

We welcome your comments. Contact us at (202) 785-8866, by fax at (202) 835-0003, or by e-mail at roland@naicu.edu. Our mailing address is 1025 Connecticut Ave., N.W., Suite 700, Washington, DC 20036. *The Week in Review* is available to NAICU member presidents and their staff via e-mail upon request, and is archived on the NAICU Web site, www.naicu.edu (go to user log-in on home page). To subscribe, or for member log-in user name and password, e-mail roland@naicu.edu.

© 2007 by the National Association of Independent Colleges and Universities



The Week in Review

National Association of Independent
Colleges and Universities
1025 Connecticut Ave., N.W., Suite 700
Washington, DC 20036