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**DREAM Act Scheduled for Controversial Vote**

Senate Majority Leader Harry Reid (D-Nev.) has announced plans to attempt passing one piece of immigration reform prior to the November elections. Reid said he plans a vote in the Senate early next week to add the Development, Relief and Education for Alien Minors (DREAM) Act as an amendment to the Department of Defense FY11 authorization bill.

The DREAM Act is widely supported throughout the higher education community. It would affect students who came to the United States as illegal immigrants before they were age 16, and who have been in the country for at least five years. The bill would grant those who qualify temporary residency. They then would have the chance to earn permanent residency by either completing at least two years of college or serving at least two years in the armed forces and receiving an honorable discharge.

The DREAM Act has enjoyed bipartisan support in the past, but has become ensnared in larger, more controversial, immigration reform measures. Senate Republicans, many who have previously supported the DREAM Act, don't support adding it to the defense bill, which authorizes Pentagon spending and sets policy for the military. They see the DREAM Act as a key component of comprehensive immigration reform, and regard the Democrats' peeling it off and adding it to the defense bill as a political effort to attract Hispanic votes going into the November elections. Reid himself is in a tough reelection battle in a state where immigration is a top issue.

Reid has indicated he would like to have a vote on the DREAM Act sometime the week of September 20 - possibly on Tuesday, September 21. NAICU members who want to register their views on the DREAM Act should contact their senators by noon on Tuesday, September 21. All senators can be reached through the Capitol switchboard at (202) 224-3121.

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**House Subcommittee Examines Implementation of the Post-9/11 GI Bill**

The Subcommittee on Economic Opportunity of the House Veterans' Affairs Committee held a hearing on September 16 to review implementation of the Post-9/11 GI Bill. Witnesses included representatives of the Department of Veterans Affairs (VA), institutions of higher education, and veterans' service organizations.

VA officials described program participation to date; progress towards the so-called "Long Term Solution" for processing post-9/11 GI Bill claims; and outreach efforts, including NASCAR sponsorship.

Since its initiation on August 1, 2009, the program has provided benefits to approximately 340,000 individuals. Over the course of the 2009-10 academic year, \$1.75 billion was paid to institutions of higher education for tuition and fees covered under the program. Of this amount, \$437 million went to private, not-for-profit institutions, while public institutions received \$697 million and for-profit institutions received \$618 million.

The witnesses representing higher education and student veteran groups outlined problems with the implementation of the program during its initial year of operation. The most common issues have been payment and processing delays, as well as difficulties faced by both institutions and students in obtaining guidance from the VA. Fund return policies and processes were cited as being especially problematic.

Beyond the operational issues, several witnesses spoke on behalf of proposed legislative changes to the program - particularly those in the "Post-9/11 Veterans Educational Assistance Improvements Act of 2010" (H.R. 5933). Of particular interest to independent colleges are provisions that would move from the present state-by-state tuition and fee calculations to a single national figure of \$20,000. (See [earlier Washington Update story](#))

This legislation, introduced by Rep. Walt Minnick (D-Idaho), has 50 cosponsors. The Senate Veterans' Affairs Committee approved similar legislation in July, and there is a strong push underway to enact the legislation yet this year. The success of that effort will depend in part upon the cost estimate now being developed by the Congressional Budget Office.

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## **NAICU Weighs in on Proposed Regs to Curb For-Profit Abuses**

NAICU, ACE, and other associations representing nonprofit higher education submitted [joint comments](#) to the Department of Education in response to the most recent set of proposed regulations aimed to curb fraud and abuse in the for-profit sector.

The proposed regulations are the second part of a two-part regulatory package proposed by the administration. [NAICU commented](#) on the first set of regulations in early August. Those earlier regulations proposed a dozen new rules to combat the growing incidences of fraud and abuse in the student aid programs. The second part of the package focused on a complex formula to be used to assess student repayment rates for gainful employment programs.

The gainful employment program formula has received much media attention in recent weeks. The for-profit sector launched one of the fiercest higher education lobbying campaigns in memory, in an attempt to defeat the rules. By the end of the comment period, the Department of Education had received more than 80,000 comments to the proposed rules, most of which appeared to have been generated through the for-profits' orchestrated campaign.

Contrary to misinformation being circulated, the proposal would affect short-term certificate programs at higher education institutions in all sectors, and degree programs at most for-profit institutions. The community letter endorsed by NAICU supported Secretary of Education Arne Duncan's efforts to address fraud and abuse concerns in the for-profit sector. However, it recommended a number of changes to the proposed rules, and asked for clarification of several provisions. The letter also urged the department to exempt from the rule very small programs, programs with few borrowers, and programs that required an associate's or bachelor's degree for admission.

The joint letter reiterated the importance of distinguishing between degree programs and job-training programs - the latter being the target of these provisions. Based on the department's recognition of the distinction, the letter argued that certain degree-related

certificate programs should not be included in the scope of the regulations. It described two such types of programs: those that require an associate's or bachelor's degree for admittance and those that are integrated into, or whose credits are fully accepted toward, a degree program.

In addition, arguing limited risk and undue institutional burden, the community letter recommended exempting from the new regulations those institutions awarding less than 5 percent of their credentials in gainful employment programs, as well as gainful employment programs where less than 35 percent of the students take out federal loans.

Under the new regulations, institutions with gainful employment programs must annually report to the Secretary, their completing students by CIP (program identification) codes, and the private student loan borrowing of the students in each program. They also must disclose on their websites the occupation codes the programs prepare students for, the on-time graduation rate and cost of the programs, student placement rates, and median loan debt. To maintain federal student aid eligibility, the programs will be evaluated annually on the repayment rates of their students, as well as the debt-to-income ratios of their students.

In its letter, the nonprofit higher education community objected to certain provisions for gainful employment programs that are placed in "restricted" status due to low scores on the two threshold tests (loan repayment rate and debt to income ratio) ([see earlier Washington Update story](#)).

The letter also raised concerns about proposed requirements for institutions wishing to establish new gainful employment programs. Of particular concern was the fact that these programs, along with programs on restricted status, would have to receive affirmation from businesses on the need for graduates in that field in order to participate in the federal student aid programs. Proposed programs also would be required to provide the Department with a five-year enrollment projection. These requirements could be troublesome and subject to misuse, the letter said, and could delay colleges' ability to develop new programs in response to emerging fields.

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## **Student Loan Default Rates: On the Up and Up**

The Department of Education's release of institutional cohort default rates (CDRs) early this week, received [considerable media attention](#). For the second year, the overall average rose, as did the sector rates. This follows decreasing rates for the preceding decade.

The overall cohort default rate FY 2008 (October 1, 2007, to September 30, 2008) was 7.0 percent, up from 6.7 in FY 2007, and the highest it's been since 1997. The total number of defaults, 238,852, was the greatest number of defaults since 1992.

The rate of defaults increased the most in the for-profit sector, up from 11.0 in FY 2007 to 11.6 in FY 2008. Public institutions increased slightly from 5.9 to 6.0 percent, while private nonprofit colleges rose from 3.7 percent to 4.0 percent. (In FY 2006, the private sector rate was 2.5 percent.) All sectors have slightly lower rates when just 4 year schools are considered.

Cohort default rates are a count of the number of federal student loan defaulters in about a two-year period. Many defaults are excluded because they occur beyond that period, or outside the default collection "window." To get a more comprehensive view of borrowers failing to pay their loans, the Department created a "loan repayment" indicator to evaluate "gainful employment" programs.

This new formula considers loans as being in repayment only if the borrower has paid off the loan or is making payments that reduce loan principal. Under this formula, most loans in

forbearance or deferment aren't counted as being repaid. This means that a college could have a large discrepancy between its cohort default rate and its loan repayment rate. (See *related Washington Update story on [gainful employment](#)*)

No doubt, much of the media attention on the CDR numbers this year resulted from the spotlights Congress and the Department of Education have cast on student debt and loan defaults as a factor in for-profit sector concerns. Even Education Secretary Arne Duncan commented on the increase, and the for-profit sector's contribution to it:

"The data also tells us that students attending for-profit schools are the most likely to default. While for-profit schools have profited and prospered thanks to federal dollars, some of their students have not. Far too many for-profit schools are saddling students with debt they cannot afford in exchange for degrees and certificates they cannot use. This is a disservice to students and taxpayers, and undermines the valuable work being done by the for-profit education industry as a whole." (See the full [Department of Education news release](#))

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