In this issue . . .

- New Higher Ed Bill Signed by President
- Colleges Keep Fingers Crossed That Student Loans Remain Available this Fall
- Congress Fails at Latest Attempt to Renew Tax Extenders
- U-CAN Participants Top 700, Fall Relaunch Planned

New Higher Ed Bill Signed by President

The new Higher Education Act reauthorization, passed by Congress just before the August congressional recess, was signed into law by the president on August 14. The legislation received strong bipartisan support, and was approved by large majorities of both the House and Senate.

The bill's completion is mostly welcome news for higher education. Although most college advocates don't see the bill as an improvement over current law, it does contain many important compromises on key issues to colleges – such as provisions on cost and accountability. The compromises have made many of the legislation's provisions a vast improvement over many of the earlier versions that have floated around Washington in the past four years.

Among the gains college leaders feel they have achieved are a clear and unambiguous restriction on the Secretary's ability to regulate student learning, no price controls, no federal mandates on transfer of credit policies, reasonable student loan disclosure policies, and increases in the allowable funding levels for Pell Grants.

On the down side, colleges face an increased array of reporting requirements that will add significantly to their regulatory burden. The additions include provisions relating to textbooks, illegal file sharing, vaccines, missing students, and fire safety, as well as new categories for campus crime reporting and graduation data. (Details on how NAICU fared on many of its most visible issues are in NAICU's "HEA Accomplishments and Compromises" chart at www.naicu.edu/DocLib/200807311_HEAchart7-31-08.pdf.)

While many of the bill's provisions will be effective upon the bill's signing, the more complex provisions – including most new reporting requirements – will not become effective until the 2009-10 academic year. Many of the provisions must go through a formal negotiated rulemaking process, which is essentially a series of publicly-negotiated regulation writing sessions taking months to implement.

For more in-depth information on key HEA provisions, see the 24-page "Summary of Major Provisions in the HEA Conference Report" prepared by the congressional conferees (www.naicu.edu/heasummary). Note that this is not a NAICU document. However, we are currently preparing materials to help college presidents identify the key elements they need to know about the new law.

For more information, contact Sarah Flanagan, sarah@naicu.edu
Colleges Keep Fingers Crossed That Student Loans Remain Available this Fall

Since last winter, colleges have been nervously awaiting August to see if students have access to the loan money they need to pay their fall tuition bills. So far, the ongoing scrambling by banks and colleges to find alternative sources of loan capital seems to have paid off, and no crisis has yet emerged.

On the private loan front, there are continuing signs that merit concern, however. For example, Wachovia recently announced that it would not make private student loans this fall, and at least two states have had to intervene to keep their state lending agencies solvent.

In federal loans, the Department of Education’s efforts in new liquidity programs have been arduous, and are still being tweaked. The Federal Family Education Loan Program (FFELP) changes were implemented under the emergency student loan legislation approved by Congress in June (see WIR, 5/28/08).

On July 1, the department published a description in the Federal Register of how it would undertake its new role. After a number of delays, announcements, and a continuing series of webinars, they have finalized the forms and agreements that spell out the two distinct programs. By the July 31 deadline, a number of lenders had notified the department of their interest in participating in the program.

The first program pretty straightforwardly enables the Department of Education to purchase federal student loans from lenders who have sufficient capital to make loans. In short, the department acts as a secondary lender. Lenders have about a year to decide whether to sell the loans to the department, or to wait for a better opportunity in the marketplace. Loans disbursed from May 1, 2008, through next summer are eligible for purchase by the department.

The second liquidity program – the participation interest purchase – is more complex, time-consuming, and potentially costly for lenders who need capital. It’s also less clear how well this program will work, because lenders must borrow the funds and disburse loans before the department will buy an interest in them. For lenders that don't have access to capital in the first place, borrowing may be difficult (though we know of at least one state agency that has done it).

Under this second program, the department will only accept transactions of at least $50 million. Required documents for the participation interest may be submitted to the Department of Education beginning August 15. After approval by the department, the transaction must go through an intermediary or custodian, who will certify the loans and handle the transaction. This is a tight timetable for loans that have to get out the bank door and into students’ hands almost instantly.

To sum it up, while FFELP lenders of all types are still promising loans, it is not clear that all of those lenders will actually have capital this month. In a pinch, most private colleges can still find a lender for federal loans – or can switch to direct loans, as many colleges have done.

The real concern is for schools whose students rely heavily on supplemental private loans. Capital for those loans is tight, and lenders are selective in whom they will lend to – or won’t, such as students without a high FICO score or unable to find a creditworthy co-signer. Currently, proprietary school and community college students are having the most difficulty. If problems emerge this fall, it's this group of students and colleges that will likely be hit first.

For more information, contact Maureen Budetti, maureen@naicu.edu
Congress Fails at Latest Attempt to Renew Tax Extenders

The Senate failed to renew a host of popular expiring tax provisions prior to adjourning for August recess, including the IRA charitable rollover and tuition deduction for higher education expenses. Senate Finance Chairman Max Baucus (D-Mont.) has indicated that further action on the tax extenders will have to wait until September.

The Baucus bill would retroactively extend the IRA rollover and tuition deduction for one year, giving tax filers who wish to amend their returns from last year a chance to claim either the tuition deduction or use the IRA rollover provision.

The Senate fell nine votes short of ending debate on a motion to call up S. 3339, legislation renewing tax provisions that expired on December 31, 2007. Senate Republicans, while supporting the extension of these provisions, are objecting to any legislation that takes priority over an energy bill increasing domestic oil and gas production.

Neither side is willing to budge at this point. Baucus promises to keep fighting to extend the tax provisions in September, but the committee’s ranking Republican, Sen. Charles Grassley (R-Iowa), defends blocking the legislation. Grassley claims his party has been shut out of the process, and is being prohibited from offering amendments to the extenders bill.

For more information, contact Karin Johns, karin@naicu.edu

U-CAN Participants Top 700, Fall Relaunch Planned

NAICU’s voluntary consumer information initiative, the University & College Accountability Network (U-CAN, www.ucan-network.org), has reached a milestone in campus participation. Nearly 11 months after the free, consumer-focused website was launched, the roster of private colleges and universities signed up to participate has grown to 711 institutions.

U-CAN was launched last September with 600 private colleges and universities onboard, and since then the number of participating institutions has grown by 19 percent. The association has 953 member schools, enrolling 85 percent of the nation’s private college students.

With a design driven by consumer focus groups, the U-CAN site has been lauded for its rich and consumer-relevant information, and colorful, user-friendly format – by students, parents, college admissions counselors, and policymakers. Since U-CAN went live, more than 358,000 users have visited the site, viewing more than 850,000 pages.

U-CAN "2.0" will be launched next month, improving on a college search tool already noted for providing objective, comparable data on the factors that matter most to consumers: student costs broken out by category, tuition trends, admission and graduation rates, average student aid packages, average debt at graduation, and much more.

Site enhancements – growing out of user comments and focus groups with parents and students – will make it among the most searchable Web sites of its kind. The improved and expanded site will also offer guidance on how to prepare academically and financially for college, find the right fit, and navigate the admissions and financial aid processes. NAICU is exploring the addition of a new element that would allow consumers to see how colleges spend their tuition dollars.

Private colleges and universities that have not yet signed up to be part of U-CAN can get more information by contacting ucan@naicu.edu.

For more information, contact Tony Pals, tony@naicu.edu