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**Subsidized Student Loan Interest Rate Jumps to 6.8 Percent ... For Now**

The interest rate for subsidized student loans jumped to 6.8 percent on July 1. The hike came after Congress failed to work out a deal to keep the rate at 3.4 percent, despite months of working on multiple proposals to either rewrite the student loan interest rate formula or keep the 3.4 percent rate for subsidized loans.

In spite of missing the July 1 deadline, Congress continues to work on the issue. The Senate plans to vote on several revised student loan interest rate plans on July 10. It is our understanding that senators needed more time to finalize their deal after working through the immigration bill, and that one of the rate plans is a bipartisan proposal.

Generally speaking, all of the proposals currently in the works affect not only subsidized loans, but also unsubsidized and PLUS loans. While the proposals would lower interest rates on loans for upcoming students, it is likely that interest rates would be tied to market rates in order to remain budget neutral. That could mean higher interest rates in the future.

NAICU’s Student Aid Committee has urged Congress to adopt a plan that (1) would ensure lower interest rates not be paid for by eliminating other student benefits, (2) the federal government not profit from students and families who must borrow to finance college, (3) loan provisions be clear and predictable from the beginning, and (4) provisions not encourage excessive borrowing.

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**Edgewood College President Testifies on GI Bill at Veterans’ Education Hearing**

On behalf of NAICU, Edgewood College president, Dan Carey, testified about Edgewood’s successful veteran students programs at a House subcommittee hearing on the use and impact of GI Bill benefits. The June 20 hearing, entitled “The Value of Education for Veterans at Public, Private and For-Profit Colleges and Universities,” was held before the Economic Opportunity subcommittee of the House Committee on Veterans’ Affairs.

Like many NAICU members, Edgewood fully participates in the Yellow Ribbon Program, thereby covering all tuition and fees for eligible veterans and substantially limiting their need to borrow. Using examples of the
services and support provided to veterans at Edgewood, Carey cited three key components for the success of veteran students attending private, non-profit colleges:

1. Dedication of financial and personnel resources to student education and services;
2. Focus on teaching and emphasis on critical thinking, effective writing, and teamwork; and
3. Provision of student support services, including intensive job placement services.

Carey also shared compelling stories about veterans’ experiences at Edgewood. He observed, "These stories are being repeated throughout private, non-profit college campuses across the country – where revenues are dedicated to giving students personal attention, counseling services, and smaller class sizes.” However, noting his own military background, Carey expressed regret that not all institutions of higher education demonstrate such a level of commitment to veterans’ success.

Other witnesses included representatives of Riverside City College and the University of Texas at El Paso, both testifying about veterans’ programs on their campuses. The Association of Private Sector Colleges and Universities and the American Association of Community Colleges also presented information about veterans’ education provided by the for-profit and community college sectors, respectively.

In response to the subcommittee’s interest in development of performance data regarding veteran students, Michael Dakduk, executive director of Student Veterans of America, discussed a Student Veteran Attainment Database being created by the National Student Clearinghouse.

Robert Worley, director of education service at the U.S. Department of Veterans Affairs, outlined the VA’s work implementing the new veterans’ information requirements enacted late last year (see January 4, 2013, Washington Update story) and the “principles of excellence” outlined in Executive Order 13607 (see Washington Update stories listed below).

Washington Update stories on Principles of Excellence:

- Departments of Veterans Affairs, Education Continue Implementation of “Principles of Excellence,” July 23, 2012
- VA Extends "Principles of Excellence" Deadline to August 1, July 5, 2012
- VA Urged to Provide More Clarity in “Principles of Excellence” Request, June 22, 2012
- VA Asks Colleges to Endorse "Principles of Excellence," June 12, 2012
- President Issues Executive Order on Higher Ed Service to Military, May 14, 2012

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**Extension Requests Again Available for State Authorization_REGS**

With the July 1 effective date for state authorization regulations having arrived amidst continued confusion about what is required to meet them, the Department of Education has once again offered a one-year delay in implementation under certain circumstances. To qualify for the delay, an institution must demonstrate that an extension of time will allow it to come into compliance with the regulation by July 1, 2014. As outlined in a May 21 Federal Register notice, the extension process requires that an institution not meeting state authorization requirements obtain an explanation from its state of "how an additional one-year extension will permit the State to modify its procedures to comply.” The institution must provide that explanation to Department staff upon request.

A request for the explanation would most likely be made during an institution’s Title IV recertification review, since enforcement of the authorization requirement is handled through that process. Unfortunately, constantly changing and inconsistent interpretations of the regulatory requirements have made it difficult for many institutions to determine specifically what they need to change, and therefore whether they need an extension.
Often, an institution is unaware its authorization is in question until an issue is raised during recertification review.

Confusion abounded earlier this year, when media reports erroneously listed states allegedly out of compliance with the regulations. In fact, to date the Department has no list of properly authorized institutions. However, at a recent hearing of the House Committee on Education and the Workforce, Rep. Virginia Foxx (R-N.C.) asked Education Secretary Arne Duncan to provide a list of states that are out of compliance. Although Duncan initially agreed to provide the list, he was unable to produce anything definitive for the Committee.

For additional background on the state authorization regulations, see this earlier Washington Update story.

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**Comprehensive Immigration Reform Passes Senate; Fate in House Uncertain**

Last week, the Senate approved a sweeping immigration reform measure, the Border Security, Economic Opportunity, and Immigration Modernization Act of 2013 (S. 744). The bill, approved by a vote of 68-32, extends the paths to citizenship for undocumented and legal immigrants, including undocumented students, and increases border security personnel and enforcement.

For higher education students and institutions, S. 744 contains much-awaited DREAM Act language that would create a path to citizenship for undocumented students who attend college in the U.S. or serve in the U.S. military. In addition, the DREAM provisions of S. 744 would:

- Repeal current federal law that limits states’ ability to offer in-state tuition to undocumented students attending public colleges and universities
- Allow DREAM-eligible students to qualify for federal loans and work-study dollars
- Create eligibility without limitation based upon age

S. 744 increases the availability of H-1B visas for highly skilled workers. It also reforms the green card system to allow foreign student graduates with STEM degrees to stay in the U.S. to work.

There remain some issues of concern in the bill. One is the need for clarification on the definition of a STEM degree. Another is language that over-reaches into the investment decisions of both public and private organizations. There are also new fees, and compliance deadlines that may be difficult to meet.

The House still needs to act on its own version of immigration legislation, or the process will stall in the Senate. House leaders have indicated they will not take up the Senate bill in its entirety, but will meet in early July to discuss strategy and priorities. No additional details on House legislation, or a specific timeline, are available.

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**Dept. Ed. Rejects Efforts to Reform Financial Responsibility Standards**

The efforts of private colleges and NAICU to reform the Department of Education’s Financial Responsibility Standards (FRS) process have been rejected. In a recent letter to NAICU’s president, David Warren, the Department dismissed two years of extensive work by the NAICU Financial Responsibility Task Force that outlined serious flaws in the Department’s current procedures for assessing post-secondary institutions’ financial stability.

Section 498(c) of the Higher Education Act (HEA) requires the Secretary of Education to use the FRS to determine the financial responsibility of post-secondary institutions. That provision was enacted after the
unannounced closures of several for-profit institutions in the late 1980s left students in the lurch. The Department developed the regulations in 1996-97 in collaboration with the higher education community in order to guard against precipitous closures of post-secondary institutions. However, the Department has not kept up with subsequent accounting changes nor practices, and so it appears the financial responsibility ratios test used by the Department no longer meets its intended purpose.

The recent economic downturn has exposed significant shortcomings in administration of the ratios test, which affects a college’s eligibility for participation in federal financial aid programs. In 2010 alone, more than 100 nonprofit colleges unexpectedly “failed” the test by scoring below 1.5, leaving them subject to Department oversight, and forced to obtain costly letters of credit. For many institutions, it also triggered additional oversight and demands for letters of credit by state regulators. Institutions that were not at risk of precipitous closure were drained of precious resources which could have been better spent on student financial aid and other institutional priorities.

In response, NAICU, under the leadership of Guilford College President Kent Chabotar -- and in collaboration with NACUBO, CIC, independent accounting experts, and member volunteers -- established a task force in 2010 to examine key issues and develop recommendations. Its report was issued last November.

NAICU’s reform efforts, as well as the impact of Department ratios test miscalculations on small, private colleges, were examined in an article titled Education Dept. Faces Renewed Criticism Over Colleges’ Financial-Health Scores, in the July 1 edition of The Chronicle of Higher Education. The article, by reporter Goldie Blumenstyk, profiles the experience of Bethel University of St. Paul, Minnesota, which received a failing score for the 2012 fiscal year. The Department’s remedy is for Bethel to secure a costly letter of credit by July 17, or be barred from participating in federal financial aid programs. Alternatively, Bethel can buy a lesser value letter of credit, but also admit that it failed the financial responsibility test. Bethel maintains it is financially sound.

According to The Chronicle, Bethel enrolls 6,500 students annually, with an annual operating budget of about $100 million and an endowment of about $29 million. In the 2008 and 2009 fiscal years, its financial responsibility ratios test score was 2.0. The institution has not been told its score for 2011. For 2012, the Department maintains that Bethel’s score is 0.4, while the university calculates it at 2.4.

Bethel's Senior Vice President for Finance and Administration, Kathleen J. Nelson, told The Chronicle that the university’s efforts to contest the Department’s findings have been met by a "garbledly-gook response" that contradicts the rules on how scores should be calculated. At issue is how to account for a pension liability, one of the matters examined in NAICU’s task force report.

Bethel has turned to Congress for help. Rep. Betty McCollum (D-Minn.) has sent a letter to Secretary of Education Arne Duncan asking for a review and a delay in the action against Bethel.

In a July 1 note to NAICU members, Warren said that, by mid-July, they should receive the association’s preliminary recommendations to Congress for reauthorization of the Higher Education Act. Since NAICU’s efforts to reform the FRS apparently were rejected by the Department, its HEA recommendations will include a request for congressional action to reform the FRS. NAICU will seek establishment of an appeals process for institutions and a standing advisory committee of “objective nonprofit accounting experts to provide technical guidance to the Education Department.”

Warren has invited members to support NAICU’s recommendations by submitting their own similar requests to the House Committee on Education and the Workforce by the August 2 deadline. He also encouraged members to discuss the FRS issue during meetings with their congressional representatives, who may be in their home districts during the August congressional recess.

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Dept. Ed. Sets Separate Neg-reg Committee on Gainful Employment

After concluding its June 4 negotiated rulemaking hearing in Atlanta, the Department of Education announced it will form a separate negotiated rulemaking committee to establish standards for gainful employment programs. The Department indicated it would not rule out establishing additional committees to consider other
issues covered in recent hearings, as well as debit card and campus-based aid program issues addressed in hearings last year.

The Department announcement, published in the June 12 Federal Register, said the new committee will hold two sessions this fall, on September 9-11 and October 21-23. Nominations to the committee will be accepted until July 12.

Gainful employment is one of several topics on which the Department invited comments during its four recent hearings. (See earlier Washington Update story) At the Washington, DC hearing held May 12, NAICU testified on the need to target gainful employment regulations to areas of high risk.

NAICU also presented testimony urging the Department not to pursue new regulations relating to state authorization as a means to either address distance education issues or regulate the foreign locations of U.S. institutions via the states. Those concerns were echoed at the San Francisco hearing by Kristen Soares, who testified on behalf of the Association of Independent California Colleges and Universities.

State authorization and gainful employment issues were also addressed at the Minneapolis hearing by C. Todd Jones, representing the Association of Independent Colleges and Universities of Ohio. In addition, Jones testified on more general issues related to the processes of the negotiated rulemaking.

For more information, contact Susan Hattan, susan@naicu.edu (state authorization)
Maureen Budetti, maureen@naicu.edu (gainful employment)

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**NCTQ Attacks Quality of College Teacher Prep Programs**

A report highly critical of the quality of teacher education programs was released June 18 by the National Council on Teacher Quality (NCTQ), working with U.S. News & World Report. NCTQ’s long-awaited report immediately generated widespread, national media coverage criticizing the state of the nation’s teacher training programs at colleges. (See samples of such coverage in list below.)

The NCTQ report reviewed 2,400 programs at 1,130 institutions of higher education, and found that only half those programs had sufficient data to rate. Of those 1,200 programs rated, less than 10 percent (105) earned at least a three-star rating on a scale of 0-4 stars. Only four of those -- Lipscomb University, Furman University, Vanderbilt University, and Ohio State University -- received a four-star rating. Nearly 14 percent of programs (164) garnered no stars and received a “Consumer Alert” designation that effectively signals teacher candidates, “Warning! You are unlikely to obtain much return on your investment for this program.”

The methodology used by NCTQ to collect and analyze its data has been criticized as unscientific and invalid by some of the nation’s top teacher education experts, which is why most private colleges and universities have not participated in NCTQ studies. Much of that criticism is because the data is based on paper reports of course descriptions, syllabi, student handbooks, observation instruments, and student surveys. One of the best descriptions is from an Education Week article: “It’s like doing restaurant reviews by looking at the menu rather than eating there,” by Catherine Cornbleth, a professor emeritus of education at the University at Buffalo.

Only 114 of the 1,130 institutions participated fully and willingly in the review. Most of the rated institutions are public colleges and universities that felt pressured by state open-record laws to submit the requested information. Private colleges and universities are largely underrepresented in the report by choice. They are also not subject to state open-record laws.

When private colleges chose not to participate, NCTQ resorted to questionable tactics to get information, such as paying students to turn in information and planting straw students. Over the past year, NAICU has heard numerous reports of such tactics from private colleges, large and small, across the country. Ironically, despite NCTQ’s disparaging attitude toward the teacher preparation programs of private colleges, three of the four top-rated universities were from the private sector.

Institutions rated in the report were not notified of their scores until the day before the report’s release. The NCTQ web site allows search of the rated colleges by state or program.
The negative messages generated by the report will continue to seep into congressional deliberations on reauthorizations of both the Elementary and Secondary Education Act and the Higher Education Act.

**Examples of Media Coverage Criticizing Teacher Training Programs:**

Study: [Teacher Prep Programs Get Failing Marks](#), NPR, June 18, 2013

[Teacher Ed Takedown](#), Inside Higher Ed, June 18, 2013


[Disputed Review Finds Disparities in Teacher Prep](#), Education Week, June 18, 2013

Rookie teachers woefully unprepared, report says, Reuters UK, June 18, 2013

[Report: Too many teachers, too little quality](#), Boston.com, June 17, 2013

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**FEMA Launches New Private Sector Web Portal, Training, Strategic Involvement**

The Federal Emergency Management Agency (FEMA) recently launched its [Academia & Resilience](#) web portal, which contains emergency management and homeland security tools, preparedness campaigns, emergency management training, and other resources targeted to the higher education community. FEMA, which is under the Department of Homeland Security, has asked NAICU to help publicize the availability of these valuable new resources.

One notable new FEMA program is the Campus Community Emergency Response Team (CERT). FEMA considers colleges and universities to be an integral part of our nation's critical infrastructure, and therefore seeks to involve them in its overall emergency preparedness and response plans. As part of this effort, Campus CERT aims to train students, faculty, and staff in emergency preparedness and response in order to ensure they have the skills needed to protect themselves, and assist others, in an emergency.

Campus CERT educates participants about local hazards, and trains them in basic disaster response skills such as fire safety, light search and rescue, team organization, and disaster medical operations. It empowers trained students, faculty, and staff to disseminate the disaster preparedness information they have learned well beyond the campus walls.

FEMA is offering members of the private sector the opportunity to hold a seat on its National Response Coordination Center (NRCC), where strategic decisions are made during emergency response operations. Private sector participants serve through the [FEMA 90-Day Rotational Assignment](#) – Private Sector Representative Program, which is available at FEMA's Washington, D.C. headquarters and at its regional offices. Private sector participants must first complete an application and pass security screening.

Free, downloadable emergency planning exercises are available on the [FEMA Private Sector web portal](#) at [www.fema.gov/emergency-planning-exercises](http://www.fema.gov/emergency-planning-exercises). To subscribe to state and/or disaster email updates [click here](#), and for academia-focused e-alerts, send an email to tracey.batacan@fema.dhs.gov. Private Sector liaisons may be contacted through [FEMA’s 10 regional offices](#).

For more information, contact Bo Newsome, Bo@naicu.edu
Administration Releases Guides for Emergency Operations Plans

Three new guides on emergency operations plans for schools, colleges, and houses of worship were released by the Obama administration on June 18. The guides, which were jointly produced by the Departments of Education, Homeland Security, Justice, and Health and Human Services, incorporate lessons learned from the recent shootings in Newtown and Oak Creek, and the tornadoes in Oklahoma. The guides can be customized for each type of community, and used to revise and update existing plans as well as create new ones.


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