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**Government Shuts Down, Debt Crisis Looms**

On October 1, the government shut down for the first time in nearly 18 years. There has not been much disruption on college campuses – yet. A majority of Pell Grant and student loan funds were drawn down by institutions in August and September, and the Department of Education deemed the student aid programs as essential in its contingency plan.

The longer the shutdown lasts, the harder it will hit people across the country, and on college campuses. Among the most immediate consequences are that the Department of Defense Tuition Assistance (TA) benefits are not available to servicemembers who began classes on or after October 1. Individuals already approved for these benefits will eventually receive them, but no payments will be made during the shutdown.

Individuals eligible for the GI Bill and other education programs administered by the Department of Veterans Affairs (VA) will continue to receive benefits until the funds currently available are exhausted. These funds are expected to run out later this month. Furloughs of VA employees may also lead to delays in processing payments. Insiders are also watching the effects the shutdown could have on such functions as the IRS Data Retrieval Tool that streamlines the federal student aid application process or if students' ability to request tax transcripts will be affected.

The National Center for Education Statistics (NCES) has shut down its website. With nearly 90 percent of the Department of Education’s staff on furlough, and similar staffing situations at such agencies as NIH and NSF, more problems could be ahead.

While the House and Senate have sent various continuing resolutions (CR) back and forth, the item of contention is funding the Affordable Care Act (ACA), not really funding of the government. There have been attempts to pass one-week, one-month, and two-month CRs, but the House insists on eliminating funds for ACA, and the Senate insists on stripping that language. Conversations at the White House with House and Senate leadership have yet to move them any closer to agreement at this time.

**Debt Crisis Looms – Impact on Student Loans Could be Monumental**

The greater crisis for higher education is if Congress does not vote to raise the debt limit, the next place the battle could play out. If the debt limit is not raised, funds for student loans could evaporate. Because student loans are provided directly from government capital, if the debt limit is not raised, and the U. S. defaults on its debt, there will be no capital for Treasury to provide to the Department of Education to issue direct student loans. President Obama has repeatedly stated over the last year that he will not negotiate over raising the debt limit, but Congress is holding out for a fight. According to a report from Treasury issued on October 3, the United States has never defaulted on its sovereign debt. If it were to do so later in October, as the deadline is estimated, the economy would be catastrophically damaged.
Clarification and Additional Information on 1098-T IRS Penalty Notices

On September 20, NAICU provided a summary and preliminary guidance for colleges and universities who have received penalty notices from the IRS for failing to provide adequate student tax identifiers like Taxpayer Identification Numbers (TINs) or Social Security Numbers (SSNs).

We want to clarify that the regulations implementing the higher education tax credits do contain language requiring this information to be furnished by the student or family to the institution via IRS Form W-9S. In our alert, we inadvertently said that students cannot be required to provide the information.

Form W-9S states the requirement that a TIN or SSN be provided to the college or university. It includes instructions for obtaining a TIN if a student doesn’t have a SSN, and instructions for completing the form if the TIN or SSN have not been received yet. The W-9S indicates that the IRS may impose a $50 penalty on students who do not comply. It’s important to note that this student penalty would be in addition to any penalties the IRS recently asserted in the penalty notice colleges received. It is unclear whether the IRS has ever enforced the student penalty provision, or intends to do so now.

While colleges must do due diligence in soliciting this information from students and must describe those efforts sufficiently to the IRS, it is often difficult to obtain that information from students. Students and their families are often reluctant to share personal information.

Institutions should continue to gather the necessary information to respond promptly to the IRS if they have received a penalty notice. As part of the process of showing due diligence when attempting to collect the
necessary information, it’s advisable to make certain that the Form W-9S is provided to students.

We hope this clarification is useful in your continued efforts to follow the complex maze of federal regulations.

The National Association of College and University Business Officers (NACUBO) has provided additional guidance on responding to the IRS if your institution has received a penalty notice.

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

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**Private Colleges Maintain Lowest Student Loan Default Rates**

On September 30, 2013, the Department of Education released the most recent two-year (FY 2011) and three-year (FY 2010) cohort default rates. According to the Department, private nonprofit institutions had the lowest average cohort default rates for both the FY 2011 two-year rate and the FY 2010 three-year rate - 5.2 percent and 8.2 percent - compared to public and for-profit institutions.

Overall, the two-year national student loan cohort default rate (CDR) is back in the double digit range (10.0 percent) for the first time since 1995, when the rate was on a downward trend. More recently, the historical two-year CDR trend has been moving upward from a low of 4.5 percent in cohort year 2003. The three-year rate rose from 13.4 for FY 2009 to 14.7 percent for FY 2010.

For private nonprofit institutions, the two-year rate was the same as last year’s two-year rate, but the three-year rate increased slightly from 7.5 percent to 8.2 percent (see chart below). Four-year nonprofits had two- and three-year rates of 5.1 percent and 8.0 percent respectively. (Two-to-three-year private colleges’ rates were somewhat higher.)

As in previous years, for-profit institutions had the highest overall average for both the two-year and three-year rates, 13.6 percent and 21.8 percent respectively. All for-profit subsectors had FY 2011 two-year rates in the low teens and FY 2010 three-year rates over 20 percent. The three-year rate for four-year for-profits was 22.1 percent and 21.4 percent for the two-to-three-year for-profit schools.

Four year publics had a two-year rate of 6.8 percent, and a three-year rate of 9.3 percent. The two-to-three-year publics had a two-year rate of 15.0 percent, slightly higher than that of the two-to-three-year for-profit schools. Currently, more than 200 schools across all sectors have three-year rates over 30 percent.

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<th>Two-Year CDR</th>
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<tr>
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<td>FY 2010</td>
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<td>For-profit</td>
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<tr>
<td>2-3 year</td>
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For additional sector breakdowns go to:

- [Two year](#)
- [Three-year](#)
Importance of Default Rates

Currently, the department takes action against schools with very high two-year rates – three years at 25 percent or one year at 40 percent. (The current two-year rate captures defaults on loans that entered repayment during FY 2011, which covers October 1, 2010 through September 30, 2011, and occurred before September 30, 2012.) For the past two years, the three-year rate has been provided for informational purposes. However, it will be the only rate published next year, covering loans entering repayment in FY 2011 and defaulting by September 30, 2013. After next year, students at schools that have a default rate of 30 percent or more for three years lose eligibility for Title IV student aid.

The department also provides CDR data by state. New Mexico had the highest CDR at 15.4 percent, followed by West Virginia at 13.6 percent. North Dakota and Guam had the lowest percentages at 4.3 percent. For information about your state’s two-year rate go to:


For your state’s three-year rate go to:


The increase in defaults is of growing concern, particularly given that the National Center for Education Statistics reports that 11 percent of borrowers are at least 90 days delinquent in paying their student loans. Student loan payments may be nearly a year delinquent before they are considered in default.

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

Department of Education Announces Negotiated Rulemaking Sessions on Campus Security

The Department of Education has announced its plans to establish a negotiated rulemaking committee to develop regulations dealing with the changes made by the Violence Against Women Reauthorization Act (VAWA) to the campus safety and security reporting requirements of the Higher Education Act. [See March 12, 2013 Washington Update]

The Department announcement, published in the September 19 Federal Register, indicated the committee would hold three sessions next year: January 13-14; February 24-25; and March 31-April 1. NAICU will be submitting a nomination to the committee.

Campus security is one of several topics on which the Department invited comments during four hearings held earlier this year [See May 2, 2013 Washington Update]. This committee is the second to emerge following these hearings. The first panel, dealing with gainful employment, is currently scheduled to complete its deliberations on October 21-23.

In addition to considering the changes made by VAWA, the Department indicates that the negotiators may consider “additional changes to update the existing campus safety and security reporting requirements.”

For more information, contact Susan Hattan, Susan@naicu.edu

Higher Education Community Comments on Revised Tuition Assistance MOU

NAICU joined the American Council on Education, the National Association of College and University Business Officers, and several other higher education associations in submitting comments about proposed revisions in the Memorandum of Understanding (MOU) governing the Department of Defense’s Tuition Assistance (TA)
The comment letter emphasizes the particular problems that would result from wholesale application of the Department of Education’s return of Title IV rules to TA refunds. Instead, the associations suggest an alternate approach that is consistent with the Title IV requirement, while being simpler both for servicemembers to understand and for institutions to implement.

The primary purpose of the proposed revisions is to incorporate into the MOU the “Principles of Excellence” outlined in Executive Order 13607. Most of the principles are already incorporated in the MOU that was finalized in December 2012. However, the existing MOU does not include provisions related to the return of TA funds after withdrawal, misrepresentation, incentive compensation, state authorization, readmission, and the provision of consumer information.

The letter also requests that DoD clarify the type of consumer information institutions must provide; urges that the program continue to cover fees—not just tuition; and requests the removal of confusing language in the definitions section related to the award of credit for prior learning experiences.

All institutions participating in the Tuition Assistance program will be required to sign the revised MOU once it is finalized in the coming months.

For Additional Background on Principles of Excellence, see:

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

For more information, contact Susan Hattan, Susan@naicu.edu

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**Obama Administration Continues Push to Enroll Students as Health Marketplaces Open**

The White House and the Department of Health and Human Services (HHS) are continuing their push to get information on the Affordable Care Act and the new Health Insurance Marketplace out to college campuses. The newest effort is provision of a **Toolkit** that has been made available in conjunction with the October 1 launch of the new health insurance marketplace open enrollment season.

This most recent effort follows a series of “stakeholder” meetings with higher education representatives, and conference calls open to campus officials, that have been held in the months leading up to the October 1 launch.

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

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**Save the Date: NAICU Annual Meeting and Advocacy Day – Feb. 2-5**

Throughout the remainder of this year and into 2014, Congress will be debating several aspects of higher education, not the least of which is the reauthorization of the Higher Education Act and President Obama’s
proposed scorecard. NAICU is hearing that Congress is hoping to pass bipartisan legislation before it adjourns in 2014. These are vital issues that will shape the future of higher education.

The 2014 NAICU Annual Meeting, Securing Our Future: Capitol Conversations, February 2-5 in Washington, D.C., will come at a critical time for independent higher education. The Annual Meeting schedule is beginning to fill up. Lobby Day, on Feb. 4, again will be a critically important and highly visible component of the Annual Meeting. Lobby Day is an opportunity to take private colleges’ message to the Hill. In addition to the Government Relations and Public Relations Academies, NAICU is pleased to announce an excellent slate of speakers, including:

- **Charlie Cook, Political Commentator**
- **Derek Bok, Author, *Higher Education in America*; former president, Harvard University**
- **Michael Duffy, co-author, *The President’s Club: Inside the World’s most Exclusive Fraternity*; Washington bureau chief and executive editor, Time magazine**
- **Stephen Joel Trachtenberg, Author, *Presidencies Derailed: Why University Leaders Fail and How to Prevent It*; President Emeritus, George Washington University**
- **Michael Roth, President, Wesleyan University, on MOOCs and the Liberal Arts**

Plan your visit now. It’s important that our collective voices are heard and understood. We look forward to seeing you in Washington.

For more information, contact Deborah Sykes Reilly, Deborah@naicu.edu

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