



Washington Update:

Swimming With The Sharks



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Topics Du Jour

- Fallin' Off the Fiscal Cliff?
- Other Congressional Challenges
- Lots of Reports
- The CFPB Rolls Along
- That Election Thing

Fallin' Off the Fiscal Cliff

- What's at the Bottom of the Cliff?
 - Bush-era tax cuts
 - Obama-era tax cuts
 - Payroll tax holiday
 - Extended Unemployment Insurance benefits
 - Medicare “doc fix”
 - Alternative Minimum Tax (AMT) fix
 - \$1.2 trillion in Sequestration cuts over 9 years
 - \$109 billion in FY 2013
 - The debt ceiling: \$16.394 TRILLION

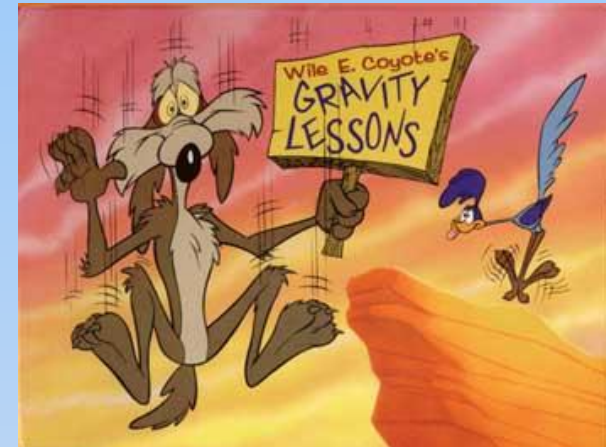


What's at Stake: Taxes

- Bush-era Tax Cuts
 - Reduced tax rates, including new low rate of 10%
 - Repealed limitation on itemized deductions
 - Increased child tax credit
 - Reduced “marriage penalty”
 - Reduced taxes on capital gains and dividends
- Obama-era Tax Cuts
 - Expanded Earned Income Tax Credit
 - Increased refundability of child tax credit
 - Created American Opportunity Tax Credit for higher education
- Payroll Tax Holiday
 - 2% reduction in FICA withholding

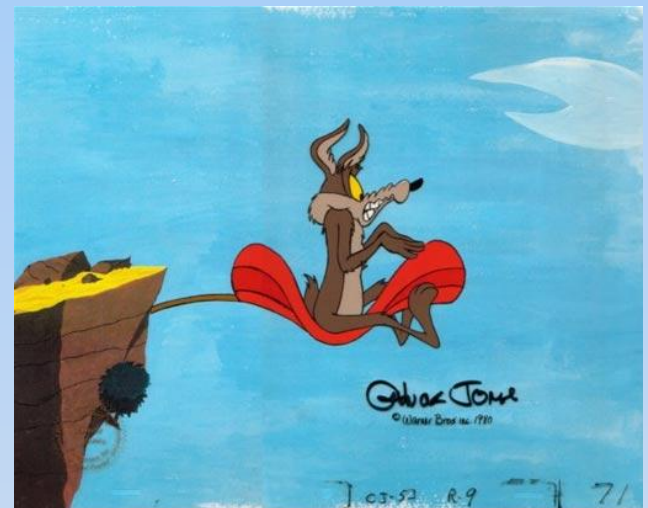
What's at Stake: Sequestrations

- Budget Control Act of 2011
 - Remember the Super Committee?
- \$1.2 Trillion Split Between Domestic and Defense Spending
 - \$109.333 billion effective January 1, 2013
- Domestic discretionary programs take 8.2% hit
 - Pell Grants exempt for first year
 - SEOG cut \$60 million
 - FWS cut \$80 million
 - TRIO cut \$68 million
- Mandatory programs cut 7.6%
 - Stafford Loan Origination Fees rise to 1.076%
 - PLUS Loan Origination Fees rise to 4.304%



What Will Congress Do?

- Lame Duck Session Starts November 13th
- Comprehensive Deal Unlikely
 - Six-month stopgap?
 - Continuing Resolution expires at end of April
 - Sequestration rollback or delay will need to be “offset”
 - Move towards tax overhaul?
 - Gang of ~~six~~, eight, more?
 - Student aid funding may escape early axe



What Else Could/Should Congress Do?

- Continuing Resolution Does Not Address Pell Grant Shortfall
- Know Before You Owe Act
 - FAA certification of private student loans
 - Additional private loan disclosures
- 3.4% Interest Rate Expires June 30, 2013
- Campus Based Funding Formula
- Perkins Loans Reengineering

Higher Education Act Reauthorization

- Theoretically, Should Be Done in 2013
- What Issues Could be Addressed
 - Student debt
 - Loan subsidies
 - PLUS Loans
 - College costs
 - Long-term Pell funding
 - Accreditation
 - Gainful employment
 - Retention/graduation
 - Cost and outcome “transparency”

Reauthorization Math

- Student Loans “Pay For” All Other Student Aid Programs
- Increasing Loan Volume, Increases Income to Federal Government
- New Pell Grant Funding Costs >\$500 Million Per Year Per \$100 Increase in Maximum Grant

Reporting on Reports

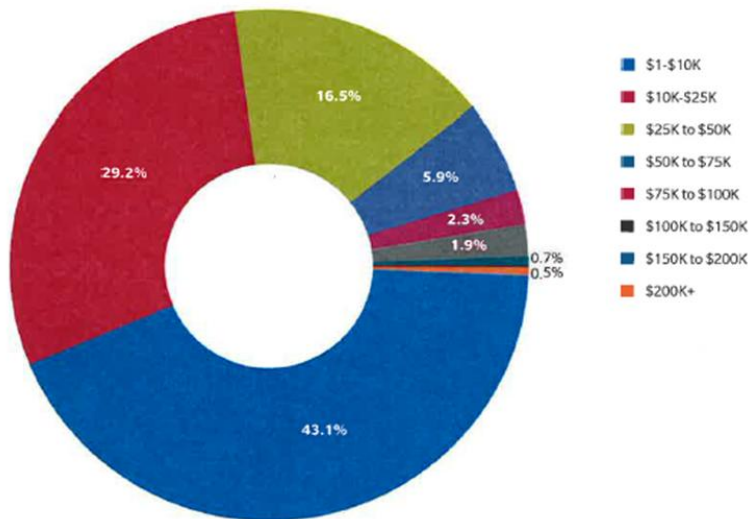
- Gates Foundation Grants
 - Reimagining Aid Design and Delivery (RADD)
 - “spark a robust discussion about how financial aid can be used as a lever to increase student success, especially for low-income and middle-income students”
 - Alliance for Excellent Education, Association of Public & Land-Grant Universities (APLU), Center for Law & Social Policy (CLASP), Committee for Economic Development, Excelencia in Education, HCM Strategists , Institute for Higher Education Policy (IHEP), **National Association of Student Financial Aid Administrators (NASFAA)**, National College Access Network (NCAN), New America Foundation (NAF), The Education Trust, The Institute for College Access & Success (TICAS), US Chamber of Commerce’s Institute for a Competitive Workforce, and Young Invincibles.

Reports on Student Debt

- TICAS: Average Debt is \$26,500
 - Up 5% from prior year
 - Fewer colleges responding to TICAS survey
- New America Foundation: Does IBR Benefit Higher Earnings with Larger Debt?
- Young Invincibles: “Lost Without a Map”
 - Survey of Students’ Experiences Navigating the Financial Aid Process
 - “College affordability has become one of the signature policy challenges facing our country”

“Lost Without a Map”

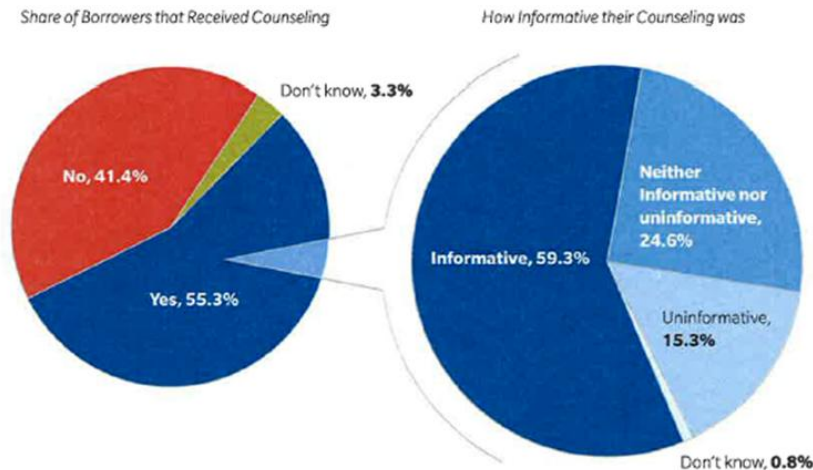
Figure 1. Share of Student Loan Debtors in the United States by Debt Amount



Notes: Debt amounts listed in the source report were not categorized in a mutually exclusive manner. Shares do not add to 100 percent due to rounding error.

Source: Adapted from “Grading Student Loans,” FRBNY.

Figure 2. Shares of Federal Student Loan Borrowers that Received Loan Counseling, and How Informative Their Counseling Was



Source: NERA/Y1 Survey. Did you receive any form of counseling (e.g., online or in-person) about your federal student loans? [IF YES] How informative was the counseling you received?

Consumer Financial Protection Bureau

- “Shopping Sheet” Finalized in July
 - Schools urged to adopt voluntarily
 - Attempt to standardize award letters
- Private Student Loans Report
 - Overview of marketplace
 - Shows decline in direct to consumer loans
 - Urges school certification of private loans
 - Recommends reinstatement of bankruptcy discharge for private loans
- Student Loan Ombudsman Annual Report
 - Recording of complaints received via complaint portal
 - Recommends refinancing option
- Student Loans and Servicemembers
 - Concern about uneven access to SCRA benefits
 - Reports confusion regarding repayment, deferment, etc. options