

President Obama, the US Congress and You: What Does the Future Hold for US Student Loans

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IEC: Who Are We?

- Association of colleges and universities outside the USA who participate in US loan programs for their students.
- Service providers included as associate members
- Offices and staff in Washington, DC.
- Registered with US, local government as nonprofit organization



IEC Member Services

- Represent our members before the US Congress and “Executive Branch”: Department of Education, e.g.
- Work to change laws, regulations, policies to help members and their students
- Provide regular source of information, including publication of regular newsletters, special reports of current events.
- Arrange for training sessions and workshops like this one.
- Work with Education Department on enforcement and regulatory issues
- A voice in Washington
- Work with country representatives in Washington on higher ed
- See: www.internationaleducationcouncil.org for membership information, including costs.



Who Are Washington Partners?

- Government and public relations firm specializing in education policy
- Provides staff to the IEC, including executive leadership, web site, administrative support
- Also can provide other support, including eligibility applications, re-certifications, legal services (via on-site law firm or other local firms).
- Partner with Erich McElroy on applications to participate or be re-certified for loan programs

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Student Loan Overview

- Total Stafford and PLUS Loan Volume:
 - US \$86 billion in AY 2009
 - \$64 billion via the FFELP
 - \$22 billion via the Direct Loan Program
- Total number of American students and parents receiving federal govt. aid:
13.2 million
- AY2010 projections: \$91.7 billion in loans
 - \$38 billion via FFELP
 - \$53 billion via DLP



International Student Loan Overview

- 434 Eligible Schools Issuing Loans
- 20,624 Students and Parents
- Total Loans Disbursed AY 2007: US\$525 Million
- Cohort Default rate, all schools, 2007:
 - 6.9%
- Cohort Default rate, “foreign schools”:
 - 2.2% -- lowest of any category of school
 - 7,275 students entered repayment, 147 defaulted

Source: US Dept. of Education



Congress Made Big Changes in 2008: Some IEC Proposals

- Higher Education Opportunities Act of 2008 – the Higher Education Act reauthorization – passed and was signed on 14 August.
- IEC Philosophy: Break Down obstacles
- Eliminate unreasonable requirements
- Make Sure Positive Changes Apply to Foreign Schools
- Keep Loans Available for Study Abroad



IEC HEA Proposals: Details

- Eliminate requirement that Financial Audits Be Conducted Under U.S. GAGAS (GAAP) Standards –
 - Passed! ED can waive them.
- Annual Compliance Audits Only Required when Loan Volume Exceeds \$1 million/year
 - Passed, but ED has discretionary authority.
- Permit distance education when student is resident abroad.
 - Not Passed: concern over fraud, purpose of study abroad
 - More work to be done on this one



IEC HEA Proposals: Details

- Require that loan funds be sent directly to the institution, unless the institution requests that the funds be sent to the student. – in law 1 July, 2006
- Exempt Foreign Schools From Campus Crime Reporting Requirement
 - Passed!
- Modify the 60% rule for passage of the USMLE so that reporting requirement is more realistic
 - Rule raised to 75%, effective in 2010
 - Congressional study of “foreign medical schools.”
 - BUT, US exam authority ECFMG took steps to ease reporting, will now provide passage rates to ED, schools.
- “Negotiated Rulemaking” for foreign schools to begin in September, three sessions, ending by December
 - Three public hearings in the US in July



Other HEA Issues

- Preferred Lender List, inducement rules, marketing rules written into law
- New disclosure requirements for private education loans
- College cost reporting: detailed, standardized reporting required
 - ED publishes list of price increasers, decreasers
- Medical school US exam passage rate
 - Raised to 75%
- More for-profit foreign med schools allowed
- Nursing schools allowed if no default costs
- Non HEA: Credit Card Protection Act signed 22 of May:
 - Credit cards restricted for those under 21 and for college students



The 111th Congress: 2009-2010

House

- **257 Democrats**
- **178 Republicans**
- Before:
- 236 Democrats
- 199 Republicans

Senate*

- **59 Democrats**
- **40 Republicans**
- Before:
- 51 Democrats
- 49 Republicans
- * Minn. Race undecided, but Al Franken (D) leads. Dems include two independents who vote with D's



President Obama's Department of ED: 2009-2012

- Arne Duncan: Secretary – friend of Obama from Chicago
- Bob Shireman: Deputy Undersecretary
- Mike Smith: Senior Advisor
- Martha Kanter, Under Secretary
- Carmel Martin, Assistant Secretary for Planning, Evaluation and Policy Development
- Gaby Gomez, Asst. Secty for Legislation and Congressional Relations (former Cong. Staff)
- Acting Asst. for Postsecondary Ed:
Dan Madzellan



“President Obama’s Budget”

- High number of Democrats, popularity of the President, give him unusual power
- President’s budget is step one in long process of Congressional consideration
- Final action expected September-October
- Health Care will overshadow education



The US Legislative Process

- US system of government has three branches: Legislative, executive, judicial
- President's Budget is a proposal, no force of law.
- Congress can and often does ignore it, but not this time
- All changes and funding proposed by the President is subject to the will of the Congress.



The US Process: Congress

- House and Senate – similar powers
- Legislation:
 - Committees Hold Hearings
 - Committees write and approves bills
 - Full House and Senate amend and vote on their versions of a bill
 - A few House and Senate members meet to work out differences
 - Final bill – “Conference Report” – voted on again by House and Senate
 - President signs the bill – it then is law
 - Two-thirds of House and Senate can override a veto



In other words....

- The President makes a lot of noise and pushes and cajoles, but he doesn't get to do anything to the bill other than sign it or veto it.
- Real power is in PR before the law is passed.
- Biggest power is in writing the regulations and enforcing the laws.



President Obama's Proposals

- Eliminate the Federal Family Education Loan Program
 - All Stafford and PLUS loans made via the Ford Direct Loan Program as of 1 July 2010
 - No other loan changes – eligibility, interest rates, loan limits would remain the same
- Greatly Expand Perkins Loan Program and completely restructure it
- Increase Pell Grants (undergrads) and make funding automatic
- College Access and Completion Fund
 - Outreach and education services



Obama's Proposals: International Implications

- Non-US schools only eligible to participate in the FFELP
 - Interest rates, loan limits are the same as for US schools
- Not eligible for Pell Grants, the major undergrad grant program
- Not eligible for Perkins Loans
- College Access and Completion Fund may not apply



What May Happen?

- It will be necessary to make Foreign Schools eligible for the Direct Loan Program
 - Issue raised with Ed Dept. officials -- responding
 - Issue raised with key Education staff in Congress
- Change in the law is relatively simple
- End of FFELP not a certainty, but major changes highly likely
 - Funds come from Government
 - Servicing done by private companies
 - Default aversion services may be retained
BUT will be necessary to make available



When and How?

- Congressional Committee hearings started last week in House
- Secretary of Education testified before Education and Labor Committee
- Second hearing heard from Administration, six others
- At least six other proposals are circulating
- All are modifications of the Obama Proposal
- Federal funding or at least federal backup funding with private companies in service roles
- All proposals call for more financial education, default aversion, and counseling, like Obama's



When and How?

- Senate hearings later this spring
 - Kennedy's health a factor
- Committee action this summer
- Full House and Senate passage not clear: September most likely
- Final bill takes effect 1 July 2010?
- We will Need to Be Ready!



The IEC Needs You!

- There is so much left to do, please join us and be a part of it.
- Annual Dues based on Stafford/PLUS loan annual volume:
 - Less than US\$500,000 – US\$500
 - US\$500,000 - \$1 million -- \$2,000
 - More than US\$1 million -- \$3,000
 - Associate (not school) -- \$5,000



Representation Essential in Washington

- Need a presence “on the ground” in the time zone.
- IEC got audit requirement improved, funds sent to schools, veterinary schools’ eligibility re-instated, exemption from crime reporting.
- IEC talks with Congress and carefully watches legislative proposals
- IEC provides unified voice to Dept. of Ed
 - Group training sessions
 - Explanation of issues
- Negotiated Rulemaking on foreign school issues with ED later in 2009
 - regulations, interpretations



QUESTIONS???

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