

2011 Access Group Graduate and Professional Financial Aid Conference



**Shifting Sands**  
Discovering the Foundation

**Student Finance Industry Update**

Shelly Repp, President  
National Council of Higher Education Loan Programs

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A major problem is the “spiraling costs” of college and the fact that it is impossible for a family of modest means to send their children to the college of their choice.

Representative Edith Green (D-OR)  
August 26, 1965



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**Student Financial Industry Update**

- National Economic Tide
- Shifting Sands for Schools
- Beware of Riptides for Students and Families
- The New Lifeguard
- The Administration’s Life Preservers
- Looking at the Weather Ahead



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## NATIONAL ECONOMIC TIDE




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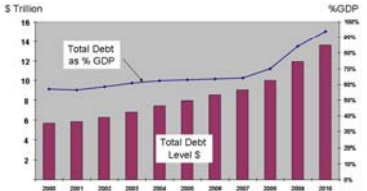
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## Aggregate Debt Level

Total Federal Debt 2000-2010



Source: Data: BEA, CBO, Treasury Dept




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## Impact of Budget Control Act

| Discretionary Spending<br>(Billions of \$; excludes war funding) |                  |
|--|------------------|
|  | Budget Authority |
| FY 2011 Enacted  | 1,050            |
| FY 2012 President's Request                                      | 1,139            |
| FY 2012 House Budget Resolution                                  | 1,019            |
| FY 2012 Budget Control Act                                       | 1,043            |




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## Debt Limit Impact

- Increase approved at 11th hour
- Discretionary spending cut by \$917 billion over 10 years
- Additional action needed
  - Super Committee
  - Balanced Budget Amendment
  - Sequestration
- Assuming one of these paths is taken, debt limit will cover expenses through the 2012 election



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## Debt Limit Impact

- Super Committee
  - Charged with recommending \$1.5 trillion in savings
  - Report due 11/23/11 with streamlined vote in House and Senate
  - Debt limit increased by amount of savings enacted
    - Minimum of \$1.2 trillion
    - Maximum of \$1.5 trillion



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## Debt Limit Impact

- Sequestration
  - Uniform reduction in discretionary appropriations and direct spending
    - Reductions half from defense and half from non defense functions, totaling \$1.2 trillion
    - Certain programs protected, including Pell
    - For student loans, origination fee increase
- Can we overcome political gridlock?



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**SHIFTING SANDS FOR SCHOOLS**



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**Historic Higher Education Driving Forces**



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**Current Higher Education Driving Forces**



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### Possible Higher Education Driving Forces

The diagram features three interlocking gears. The top gear is orange and labeled 'Access'. The left gear is purple and labeled 'Accountability'. The bottom gear is blue and labeled 'Affordability'. Arrows indicate a clockwise flow from Access to Accountability, then to Affordability, and finally back to Access. A small logo for 'Shifting Sands' is in the bottom right corner.

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### Shifting Sands For Schools

- Accountability
  - More compliance responsibilities
- Financing shift from state to federal
  - States are providing less funding
  - Greater reliance on federal dollars

The logo for 'Shifting Sands' is located in the bottom right corner, featuring a stylized lighthouse on a sand dune with the text 'Shifting Sands' and 'Discovering the Foundation' below it.

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### Shifting Sands – For Students and Families

- Financial aid now seen as area for savings
  - Pell Grants
  - Stafford subsidies
    - Elimination of subsidies for grad & professional students as part of the Budget Control Act
    - Recent Senate proposal would eliminate interest subsidy during grace period for Stafford loans
  - What about in-school interest?

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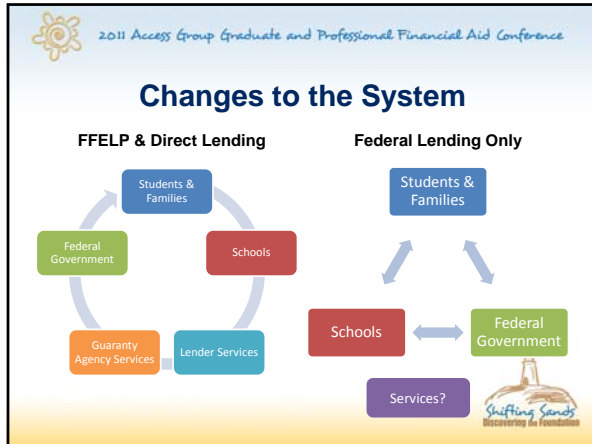
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### BEWARE OF RIPTIDES FOR STUDENTS AND FAMILIES

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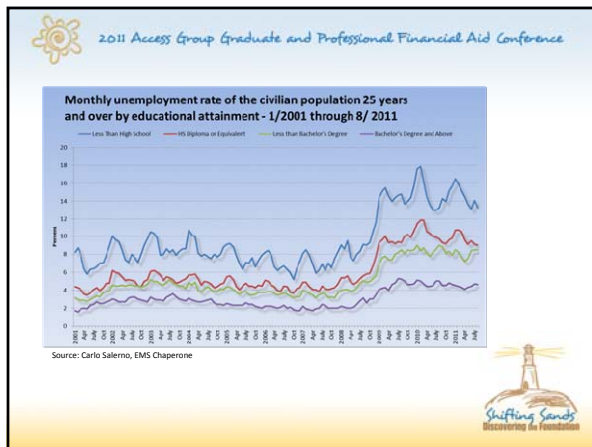
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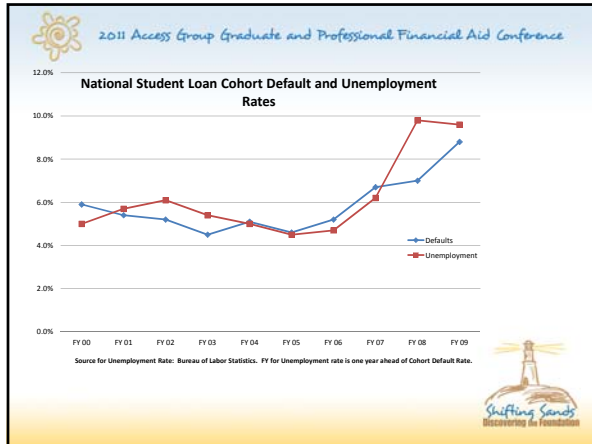
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- 2011 Access Group Graduate and Professional Financial Aid Conference
- ### Possible Riptides for Students and Families
- What type of loans should students use?
    - Stafford
    - GradPLUS
    - PLUS
    - Private
  - Should students be allowed unlimited borrowing?
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### The New Lifeguard

The Consumer Financial Protection Bureau

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### The New Lifeguard – Consumer Financial Protection Bureau

- The Bureau intends to regulate private education loans
  - Private loan “ombudsman” appointed
- Many Questions
  - When will the Director be confirmed?
    - Authority until Director confirmed limited
  - Will the Bureau regulate federal loans?




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### The New Lifeguard – Consumer Financial Protection Bureau

- Signed Memo of Understanding with Department of Education
  - To facilitate cooperation between agencies
- Created College Shopping List Disclosure Form




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### ADMINISTRATION LIFE PRESERVERS




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### Department of Education Initiatives

- Gainful employment/Program Integrity
  - Currently issue for for-profit institutions and certificate programs at other institutions
  - Continued high unemployment for graduates may expand the issue to other types of institutions (i.e. law schools, business schools)



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### Maintaining the Infrastructure: Providing Services after FFELP

- Voluntary Flexible Agreements
  - Goal is to ensure continuation of services
  - Funding needs to be stabilized



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### Maintaining the Infrastructure: Providing Services after FFELP

- NFP Servicing Program
  - 20+ organizations participating
  - Currently limited to 100,000 accounts per organization
  - Local servicing versus national servicing



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## New Student Loan Programs



- Special Consolidation
- “Pay as you Earn” Plan



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## LOOKING AT THE WEATHER AHEAD



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## The Weather Ahead

- My Forecast: Debt issue will be resolved prior to elections but it will be ugly
- Whole House of Representatives up for election
- More Senate Democrats have reelection races
- Presidential race
- Wild Card – Economic performance



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**Questions**

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