Jim Runcie: Good morning. Good morning. What a week, what a week. I've received lots of positive feedback about the facilities, the new staggered schedule, and even the ducks. We've had a really good time here. We peaked at about 6,300 attendees, which is even more than we expected. So, everything's been going real well and I'm sure we'll get a lot of feedback on the evaluation forms after the conference is over. I want to welcome you to the town hall. But before we begin, we have a special guest with us this morning: Under Secretary Martha Kanter. Martha Kanter was confirmed as the under secretary of education by the Senate on June 19, 2009. Dr. Kanter is charged with implementing President Obama's goal for the US: to have the best educated, most competitive workforce in the world by 2020, as measured by the proportion of college graduates. Prior to working at the department, Dr. Kanter served from 2003 to 2009 as chancellor of the Foothill-De Anza Community College district. Dr. Kanter also served as the president of De Anza College. Prior to this, she served in various capacities at the California Community College chancellor's office in Sacramento. Dr. Kanter has served as an alternative high school teacher and established the first program for students with learning disabilities at San Jose City College in California. In 2011, Dr. Kanter was appointed to the US National Commission for the United Nations Educational, Scientific, Cultural Organization – UNESCO. UNESCO is a federal advisory committee to the Department of State that supports worldwide humanitarian development. Under Secretary Kanter holds a doctorate in organization and leadership from the University of San Francisco, and received her master's degree in education with a concentration in clinical psychology and public practice from Harvard University. Dr. Kanter earned a bachelor's degree in sociology from Brandeis University. Ladies and gentlemen, it is my distinct honor to introduce the undersecretary of education, Martha Kanter.

Martha Kanter: Hi, everybody. I have heard nothing but wonderful things about the conference. Somebody said last night that there was a spirit at this conference that they hadn't seen before. I'm not sure whether it's the Florida weather, or whether it's the hotel, but I think what it is is just the organization of the conference and what the Federal Aid staff have done working with all of you to improve the conference every single year. So, I want to thank all of you for being here, and thank especially Jim Runcie for his kind introduction. Sometimes you have a long introduction, and I like to just have a sentence or two, but I think Jim has done an incredible job as our chief operating officer, and I'd like to just extend my appreciation to him with all of you for making Federal Aid the best possible opportunity for every student in this country who wants that opportunity. So, I want to thank all of you, thank the Federal Aid folks, and thank Jim Runcie for his leadership. *[Applause]*

When you go to the website now, and you see studentaid.gov, I think it's an example of what you see and how we're trying to think about providing access – more access to what I call the top 100 percent of students in this country. We're trying to improve and really listen to you about: how can we simplify the information, and build financial literacy and capability for students and families? I think that is such a challenge in this nation, and I talk a lot to Brenda Dann-Messier – who is our assistant secretary of vocational and adult education – she works in adult education. We're very concerned about ability to benefit – all the pieces that you face each and every day on your campuses. And so, our effort in the Federal Student Aid program and throughout the Department of Education is: how can we simplify information so that we can build a financial literacy across this country that will get students and families to afford what they can with the highest quality opportunities for them? And that is really – for me and for all of us in student aid, and in the department – no small challenge. Brenda Dann-Messier reminded me some time ago that we have, today, 47 percent of adults who cannot read and write at the high school level. I said, "What's the trajectory on that?" That's actually a good figure if you look back over the 50 years, because we had far more people that were undereducated 50 years ago. But we have an enormous challenge before us. That's why you'll see a lot of us focus on the pipeline from K-12 to higher education, wanting to look at the college and career ready standards that Secretary Duncan – my boss, our boss – talks about pretty much every time he's in the paper or on a stage. How can we really improve the standards for K-12 and get more people ready for college, ready for post-secondary education, ready for the workforce that we're going to need to move the country forward?

So, what we're trying to do in Federal Aid – and I just have to again extend my appreciation to every single person in Federal Aid. People may not realize: the Federal Student Aid program is 25 percent of the Department of Education, and we are actually a very small agency when you compare us to treasury or _____. But, the Federal Student Aid folks are serving this country, as we all are, and what we want to do is really understand: how can we continue to simplify and get the best information to students when there is so much complex information, and so much decision-making that has to go into making the right decisions for families? So, I'm really excited to be here. I want to thank all of you. We look forward to working with you for the next four years. We really want – in the 21st century – to have the resources so that students can graduate from college, as well as get in. So, you'll see all of us in the next few years really focusing on – and I call it sort of – the four pillars of this framework that we're putting forward. Access – which we have all long fought for. Can we open the doors wider? Can we think about that 47 percent? Can we think about the 40 percent that don't finish in six years – didn't go up all the way up? But we have too many leaving, and I call them – I wrote a paper a long time ago called "The Stop-outs." These weren't dropouts. They were people that had financial hardship, they had families, they had jobs, they had to move. Social mobility in the country is really an interesting field of study to really think about; people are moving at different rates to different places for different reasons. All of those things make a person a stop-out, rather than a graduate, or a certificate holder. So, I think when we start to think about that, Federal Student Aid leaders can really be – I think the catalyst to understand all of the reasons that people stop out, and we need your help figuring out to get them back in, and maybe make it easier for them in some ways – and there may be a whole long list of things that you're doing that we don't know about that we'd really like to know about.

So, we've put out a request for information. We want to hear about the strategies you're using on campus to get them to come back. I know friends at the University of Texas system have had this huge effort to do a kind of targeted outreach to people that have what I call "stopped out," to get them back so that we can get our graduation numbers up for this country, which means that we'll have students more prepared for the majority of jobs that we're going to need filled over the next decade and beyond. So, all of that work has to do with access and not allowing dropouts. I always have to give a kudos to Mayor Nutter of Philadelphia because he literally has galvanized the entire city to say, "We aren't going to allow dropouts." And it doesn't mean they don't have dropouts today, but it means they have a focus on keeping people on track to get their degrees, their certificates, high school graduation, readiness for kindergarten – you can start at the beginning and go all the way up. That's really what it's all about.

So, we've got to do a lot more – especially with our Pell Grant students – to get them to stay in and finish – finish at least the first leg on what I think is a lifetime of learning that people are going to have to do in the 21st century, and they're gonna have to go back, and they're going to have to learn that what they're doing today may not be the preparation they need for tomorrow because they're going to be changing jobs. And, the world they're coming into is so different than the world many of us started in. I think with your leadership and help, we can really make a difference here. We're already seeing a lot of change on campuses around the country. We now have 7,200 campuses in higher education. So, we've done a continuing great job on getting students in the door. But in terms of college affordability, too many families think it's too expensive, can't do it now, gotta go to work, can't really fit all the pieces together. So, college affordability – I think pretty much every time President Obama and Secretary Duncan and I have been in front of a microphone – and Jim Runcie, college affordability is going to be center stage along with access.

And then, the other two pieces: quality education. That's what we want for our children, that's what we want for these 47 percent of adults, that's what we want for everyone. So, how can we take all of the opportunities ahead of students, and figure out where the quality is? You all know where the quality is. You know the best professors on your campus. You know the best pathways to quality. You know where the career center is. You know where the network is of all of the pieces that are going to really help that student succeed. And so, we really want to have a real spotlight on where that quality is. How do we define it? How do we know it when we see it? It's very loose. It's very tough to figure out, you know, if I can go to college A or college B, what's the best place for me? So, you've seen us do a lot of work, and I would say it's early work. The college scorecard – you've seen discussions about that. You've seen the financial aid shopping sheet – you've seen all of our data sets, you've seen our publishing different rates for different kinds of things. But it's all very complex information when you think about that student or a family member trying to figure out: what should I do next? Where should I go? Am I getting the value I need today? So, we need your help with that. You know: how to think about quality, and how do we think about the federal aid resources and opportunities in that context?

And then, the last piece I think I covered: completion. So, when I think about access, affordability, quality, and completion, those are really the four pillars of what we want to work on and do. You'll see us really trying to make a step forward. I want to say thank you all – especially all the organizations, the Federal Student Aid organizations that have helped us get to the point of things like eliminating lots of questions on the FAFSA, reducing the time – you know, building the new website which we're getting a lot of positive feedback from you on, and all of those kinds of things. Would the results – when we have moved – and I look back on my first four years in the federal government coming from a campus for many, many years, and I think: we have now gone to have a 50 increase in the number of students with Pell Grants in college today, and we've done that just in a couple of years. I think one of my proudest moments was when David Bergeron told me, "Do you realize that we've increased over 100 percent the number of students at your campuses coming from families earning $10,000 dollars or less? So, we are building – I know from personal experience; I had to write a paper – there's a book to celebrate the 40th anniversary of the Pell Grant, which is this year. I had meetings with Clay Pell IV, and the family, and so on. I had remembered a student that I had given a scholarship to, and she actually transferred from the college I was the president of to UC Santa Cruz and was fully paid, she had childcare – she had a son, and this was about ten years later. I thought, "Hmmm, I wonder if I can find this woman and see what happened to her?" She had a learning disability, she came from a very abusive family, she had a lot of hardships like many of the students that you see each and every day. Sure enough, fulltime job, her child – her little boy was in first grade doing really well. And I thought to myself when I was writing about her experience – she was thrilled, she said. She's sort of TMI – gave me so much information about what had happened to her. I had to really edit a lot. I thought to – but I thought to myself: it's the son; it's the fact that the work that you do in Federal Aid is intergenerational, and it's the son who's getting a really great education in addition to the fact that she was on welfare. She's not on welfare. She has a degree. She's getting her master's degree. She's got a fulltime job. She's paying taxes. All those great things that you want to see for every student in the country. But, you know, the son was the one that really got me because I thought: that's where we're educating the next generation, and the next, and the next. That's why what you do is so important for the future of this country.

So, I just have to celebrate your success. I think some of the milestones we've achieved – you see a lot of excitement about Race to the Top. Some of the K-12 work – we've got early learning challenge grants to figure out in the pipeline. A third of children are not ready for kindergarten, so why are we surprised that fourth grade reading is what it is, and why are we surprised that 25 percent of students aren't completing high school? And then, when we get to the college level, we've got 40 percent nationwide that aren't ready. So, we've got a huge challenge – in what I call developmental education – to squeeze that down, to get students more prepared wherever they start from. We are making a big difference, because the post-secondary credential numbers are rising – are starting to rise. I think the fact that we made the investment by taking away the $40 billion dollars from the banking industry and putting it into Pell Grants and opening that door, and increasing the Pell awards now to $5,635 dollars starting next fall – I mean, all of those things are really gonna help our participation rate. But I think the challenge for all of us is: get them in, and get them through. So, what can we do in persistence, and retention, and all the studies, and all the research that we're gonna need to really get students achieving at the level we need.

Now, on the loan program, some people have said to me, "Well, the Pell Grant is the gateway to the loan program." Now, and when you think about that, I know for the less expensive schools – especially the community colleges – Pell covers quite a bit. But when you really look at the whole picture of higher education and cost, and the affordability challenge that we have ahead of us, we've got to do things like really building on pay-as-you-earn, income-based repayment, public service loan forgiveness – all those other pieces. But again, when you think about a student and you think about the access rate to those benefits, and you see it every day in your offices. We've got to continue to simplify our messaging and give the pathways to students so that it's easy for them to access what they need. We're really thrilled that the pay-as-you-earn is going into effect with the ten percent of discretionary income. So, students will be more affordable, but what can we do to help drive down the cost? When families look at that, they just shake their head, and too many turn away, and we've gotta turn that around and use things like the American Opportunity Tax Credit. That's one tax credit that I think we haven't messaged very well. We hold ourselves as accountable as anyone else in the federal government, and that's why the associations that you belong to, I think, are really critical to keep us very focused on the few things we can do to really give more benefit to people, to students and families. You're gonna see us do a lot more in affordability and transparency. We're gonna publish as much data as we have. We're gonna give you as much information as we can. I'm really thrilled that the Office of Post-secondary Education – David Bergeron and Jim Runcie are working together with all of our teams – are gonna be able to include transfer students and part-time students in our databases in the next couple of years so we'll get more accuracy and kind of put to rest all the controversy about we're really not counting all students. That really is our goal.

Last summer, we unveiled a new interactive loan counseling tool. As I said, we have this college scorecard going ahead, and every step along the way, we have benefitted so much from your input and your expertise. It's really been invaluable, so we want you to keep those questions coming – those ideas coming. Secretary Duncan often says: "The ideas aren't happening in Washington. We are synthesizing the ideas from the experiences that you have on the ground." So, you've got to let us know, and we're all at firstname.lastname@ed.gov. We all return our own e-mail. I can't say enough about the ten regions, and the Federal Student Aid leadership that are in our regions around the country – whether it's New York or Seattle. New York had a big flood because of Sandy, so they're getting back up and running. I just want to thank all of them for going through that really difficult time. We've been hearing quite a bit from some of the campuses that were affected. The good news: school is back up and running, but we all have to just join hands and help each other through these various crises that we have.

Let me just end with a couple of things looking ahead to the next couple of years. We're going to continue to exercise our levers for reform. ____ still working on simplification, federal aid. You know, what can we do with the loan program? The Grant program? Waste fraud and abuse? We always have to look at how to make sure the grants are going to the people who are really there, who will really using them. So, we're gonna use regulatory authority and ask your help in that. What can we do more in our grant programs to really make sure that upward bound is doing what it needs to do, and all of the programs that we want to get students that opportunity in our pipeline programs from high school to college. We're gonna continue to increase accountability and transparency. We've got a fiscal cliff coming – you might have a question about that; we hope, and pray, and trust that Congress will make some good decisions on that regard. We are opposing indiscriminate cuts across the board. That just doesn't do it. Let's make targeted cuts, and do more with what we have. We're trying to do that, obviously, in this program.

You know, in terms of the promise of an American education, the Pell Grant for us is an essential. And so, your ideas on how to really maximize those dollars are greatly, greatly needed. So, we think, and the president has talked about this. We've got to really ramp up the kinds of responsibilities that we have at the federal government that every state in this country has – to the students and families who live in those states – that the institutions have to the people who come in the door, and to students and families themselves. We were at a conference yesterday – Paul Tough on grit and resilience. There's a lot of new research – Duckworth, and

Tough, and others – talking about: what does it take to help students – and maybe it's because of my background in psychology or whatever, but you know – what is it that will give people that grit and resilience like the student I talked about – to push through some amazingly difficult challenges. Whether it's completing calculus, or learning how to read, or whatever it is that student is coming into the education system with. We know it's not about intelligence. It's not about capacity. It's about grit, and resilience, and quality education, and simplification, and transparency, and making good choices. So, we really see this as a shared responsibility. I'll just end with the North Star. You know, Arne Duncan calls President Obama's 2020 goal our North Star. Whether it's 2025 or whether we reach it sooner, when we have 40 percent of people not ready for higher education who enter, much less all the ones who haven't; and when we have 40 percent plus not getting through in six years, and you can say, "Well, yeah, we have a small number of students going through in eight or ten years, that's absolutely true." But, we've gotta do a better job with the students we have who are in the door to really get us the kind of workforce and society we're gonna need. We talk a lot about the economy – you know, it's jobs, jobs, jobs. We've got a lot of unfilled jobs, but it's also about the democracy. It's also giving students the critical thinking skills and the abilities to make those good choices about quality, about the kinds of jobs that they're gonna go into that really exemplify the work that you do every single day. So, it's really, for me, an honor to join you in this work, and I just want to thank you for the privilege of serving you. I want to say keep the questions and the advice and the suggestions coming. I'm sure Justin is here somewhere – Justin Draeger. We hear a lot from him.

We hear a lot from advocacy groups about what is best for students, and we want to hear from the financial aid directors. You – all of you, and all of you in the offices see what those challenges are. We don't see them every day. I try to remember all the students I had over so many decades, but you are seeing a new kind of student. You're seeing students with technology. We didn't have the internet 20 years ago. You're seeing different kinds of ways that students are coming into your institutions, and we need to be responsive to that. So, I'm just gonna close with opening the door, thanking again all of our Federal Student Aid leaders in Washington and every state in the country – each of you who are here today. And most importantly, the students who have such great opportunities ahead of them – and we're the segue to that. So, I want to thank you for having me, and look forward to many more conversations to do so much more than we've been able to do in the first term, and just looking forward to executing as much as we can on behalf of students and all of you. Thank you so much. *[Applause]*

Jim Runcie: Thanks so much. That was wonderful. Thanks so much. You're the rock star. *[Break in audio]*

I just want to thank Martha. She has a tremendously busy schedule, but this is a high priority for us, so she made the time to come here. If you could give her another round of applause, that'd be terrific. Thanks. *[Applause]* Now it's time for the town hall. So, it's gonna give all of you an opportunity to ask questions and for us to get commentary and information from you, to address some of the things that Martha talked about. So, why don't I introduce our expert panel? We have with us David Bergeron, the assistant secretary for post-secondary education; Carney McCullough, director of policy development; Sue Szabo, FSA's chief business operations officer; Brenda Wensil, FSA's chief customer experience officer; Susan Bowder with FSA's program compliance office. Before we begin, we have a few ground rules I'd like to go over with you. First of all, you'll notice there are six microphones. They're labeled, and they're all around the room. If you have questions, I want you to go up and line up behind the microphones, and we're just gonna do sort of a round robin. When you approach the mic and it's your turn to ask a question, please state your name, the institution you're from, and then provide your question. You may also pose questions via Twitter by tweeting your question using the hashtag #FSA2012TH. As in the past years, there will be lots of questions. So, as a courtesy to your colleagues, please limit yourself to one question, and no multipart questions. I'm sure there'll be lots of multipart questions, but one question. My staff has also suggested that we limit the questions to 140 character limits, just like in Twitter, but I'm not sure that'll fly. But you get the point: we're trying to make sure that we have time for as many questions as possible. So, with that – before we actually go into the fielding of questions, I'd like to turn it over to David Bergeron. We've been getting a lot of questions about the limit of duration on eligibility for subsidized loans, and so maybe we start out with David addressing that, and giving you guys time to line up behind the mics, and then we'll take it from there.

David Bergeron: Thank you Jim, and thanks everybody for being here. It has been a great conference, and we're real pleased with how it is going so far. So, we've been getting a lot of questions as Jim indicated – as we wandered around the hall and in various sessions about the 150 percent limit on subsidized Stafford loans. A couple of things are really important and need to be really clear: these are for new borrowers, on or after July 1, 2013. So, people who are receiving loans today – the people who are receiving loans today will not be impacted by this change. So, this is really important. It doesn't impact your current students. The second thing is – that's important to make note of is the fact that we are – will certainly have to have regulations that help you implement these requirements. The Congress, when they enacted this provision of law, they waived the normal customary ________ rulemaking process that we go through to develop our regulations. So, we will be doing it without that part of the process. So, the comments and questions that you've raised at this conference and that you share with us in the weeks ahead will make us able to write the best possible regulations we can given the statuary constraints. So, I encourage you if you have particular questions or concerns that you don't raise at this session. As Martha indicated, we're really easy to find with e-mails, and all answer our own and all read our own. So, it's firstname.lastname, and you know what my name is. The third thing I wanted to just make clear is that this restriction on eligibility for unsub – for subsidized Stafford loans is not the same as satisfactory academic progress in a couple of important ways. First of all, satisfactory academic progress really doesn't follow students across institutions. This does, and it does particularly in the sense that if someone is enrolled in a four year degree program and they transfer to a one year or less certificate program, that change may result in them not – this change may result in them not being eligible for a subsidized loan at all at that subsequent program because the eligibility is keyed to the program length the student is enrolled in at that time. So, this is really very different from satisfactory academic progress. We'll be continuing to provide you with information as we have it about how this is being implemented and what this will mean.

The other thing I'd point out is: we know that you can't track this. We know, just like the Pell Grant limit on eligibility, this is not something that campuses can track themselves. So, we are aware of that, and we will be working with you and with our vendors, and through the Federal Student Aid's operating systems to find the – to provide you the tools you need to monitor this just like you monitor Pell eligibility. We will be making sure that you have as much information as possible to make this all work. The one good news about this is we don't have to go back and rebuild all the records all the way back to the beginning of the Pell Grant program in order to implement it. So, it's a little bit easier because we can do it on a going-forward basis. But, I just wanted to answer – say that right at the beginning because I know there were lots of questions, and we've been getting lots of questions about this. So, thank you Jim.

Jim Runcie: Thanks David. All right. So, on mic one we have a gentleman approaching mic one.

Audience: Hi. My name is Jack Wallens from Whatcom Community College. Not a question, but an observation. About one in four of our students are adult returning schools – or, adult – returning to school. We do a much better job at serving our community at helping the high school to college because there's more resources. We really need to be able to do more to be able to help with jobs and to meet the other goals to help adult students. And yet, every year, the resources we have available to do that are dwindling, and I think that's gonna have to be addressed.

Jim Runcie: Good question. David?

David Bergeron: That's a really, really, really important point. I mean, we're very aware of the fact that our emphasis is – and appropriately is making sure that students who are graduating from high school have the ability to transition to post-secondary education. We know that if they don't make that _______ transition, often they become adults who need retraining later in life. So, we really need to focus on that. But as we go forward and think about what the economy and the future looks like, more and more students will – individuals will need to come back for retraining whether they have a post-secondary credential or not. Martha mentioned Brenda Dann-Messier a couple times in her remarks. She's my colleague and friend from the Office of Vocational and Adult Education. One of the things that they've been really very committed to is developing a comprehensive strategy to address this problem. We released that strategy about a year ago – maybe not quite at this point. But it's a really critical thing. The other thing I would say about Brenda is that she and I graduated from the same high school. We think this is the first time in the history of the agency that there are two assistant secretaries – even though one is acting – that have graduated from the same high school – oddly, in Rhode Island.

Jim Runcie: Thanks a lot, David. And look, it's critical – the role of the community colleges in terms of reaching the president's 2020 aspirational goal – it's critical. So, to the extent that we can provide the resources, and infrastructure, and support to make sure that you are all successful in terms of driving toward that goal, it suits everyone's purpose. So, next question. Mic two.

Audience: Hi. My name's Denise Coulter. I'm from Delaware Valley College in Pennsylvania. I've a comment and a question. My first comment is: if you really want Pell Grants to go to the people that need them, put the asset question back on the FAFSA. Even though it's been simplified, grants are going to people who don't really need them.

Jim Runcie: Thank you for that.

Audience: Okay, my question is: I haven't heard anything at this conference about the interest rates for student loans going up. And as we're falling off the fiscal cliff, I'm wondering the 3.4 percent interest rate – what's gonna happen with that – 6.9 for subsidized, and 7.9 for unsubsidized. Banks are coming out with new products that are gonna be better. They want this federal – or, the federal government has offered. And I'm wondering: are you looking at that? And, what we're supposed to do when they come into play, and the loans aren't as good as the government loans?

Jim Runcie: Thank you. That sounds like it's a policy question, so David Bergeron? Maybe we should move David over to this seat right here, or right here?

David Bergeron: Yeah. Certainly, one of the issues that needs to be addressed and will be addressed as part of the ongoing budget discussions is the issue of the student loan interest rates for subsidized loans. This is something that's been a priority to the administration to address. We worked really hard with Congress last year to make sure that it was addressed last year, but it will be done as part of these ongoing budget discussions. I've been away from Washington for a couple of days, so I'm not exactly sure where we are with that, but it is a critical priority. Around the issue of competitive rates in private loans, a couple of things I would say is this: the best rates are only provided to people with the highest credit rating and credit scores. So, most students can't qualify for the promotional rates that are advertised. This is a great concern of ours. The second thing I would mention is that – and we've had this conversation whenever we talk about interest rates is that – our interest rates in the loan programs are not comparable 'cause baked into them are things like total and permanent disability insurance and that kind of thing, which commercial products don't include. More importantly and most importantly is that the full range of repayment options are not available under those products. Things like IBR and income contingent repayment – particularly the pay-as-you-earn plan – are things that the private sector cannot offer, will never be able to offer – because it requires a substantial investments in infrastructure and the ability to get access to real-time tax information to make those repayment plans work. Finally, they won't afford borrowers the kinds of benefits that are available in terms of teacher loan forgiveness and public service loan forgiveness. So, there are lots of other benefits to our student loan programs that are way beyond the interest rate that often people forget about when they make those comparisons.

Jim Runcie: I think that's great. Yeah, I mean, I think in terms of making an apples to apples comparison that you sort of have to factor those things in. If private institutions and private lenders factored those in, there would be a change in rate – not that they would consider those because they don't have the option to even consider some of those things. So, microphone three?

Audience: Good morning. Gary Spolls from American Public University System. The spotlights are amazing.

Jim Runcie: You can tell me.

Audience: I truly believe that one of the next biggest concerns in the student loan programs is gonna be on the backend and that we moved the issues that we were concerned about from the frontend by eliminating the FEL program and the problems with lenders and the lending practices simply to the backend on the servicing end. We've added a number of additional servicers to confuse the students, to confuse the schools, for whom the schools have no standing relationships. And when we want to try to help a student, it has become ever more difficult. I want – my question: is there any analysis being done to compare the work and the success of DL contracted servicers versus the success of their auxiliary debt management services for which schools are charged tens of thousands of dollars to manage their default rates because the contracted services are not being done to the success rate that we need?

Jim Runcie: Thank you. It sounds like I'll move two over on the panel. Sue Szabo? Do you have some commentary on that? She manages and oversees our business operations.

Sue Szabo: Yes. Let me try to address the multi-servicer condition. As you know, there are four what we'll call – when we went to 100 percent direct lending and when we acquired through the loan purchase program a number of FEL loans, we had to expand our capability. We expanded our capability to add four additional servicers. Under the new law – the statute, we have added some non-for-profit servicers. We have done our very best to ensure that the borrowers that are coming newly into our portfolio are primarily serviced by the four to avoid the confusion that students experienced in the early parts of being in school and in repayment. The non-for-profits that are currently cutover are handling borrowers that had been in repayment for some period of time. That's not to say that they won't go back to school – that's not to say that you won't have to deal with them. But, we did try to minimize it. We are monitoring the activity. We have ongoing – I think you also know that these contracts are what we call performance-based competitive contracts. The services are extremely incented to avoid defaults, to do default prevention, to bring the default rates down. It is the only way that those four, along with some other metrics, will get any additional volume from us. So, and we're monitoring that. We're monitoring that to make sure that we are getting the services that we need. I do want to add: for complexity purposes, we've heard a lot here at the conference, and I think that there's a lot of truth to that. How do we give you, the schools, a single view into what's going on so that you don't feel that you have to go to 15 servicers to get what you need? And we learned a lot now; we've learned a lot before we got here about giving you tools that will get you what you need without having to deal with it. We have also taken great care to make sure that although we have these many servicers, the student/borrower is only in one place. So, and we watch and monitor that, and we transfer borrowers as appropriate. So although you as a school may be feeling different experiences, the student borrower themselves feels only one. So, I know we need to improve; I know we need to get better in giving you the tools you need, and we're working through that.

Jim Runcie: Great. Thank you. That was a very good question. Thank you. We are going to microphone number four. Oh, great.

Audience: Good morning. Vic Goldberg, University of Colorado Boulder. If Congress, by some chance, doesn't get its act together, and we get hit with sequestration, will there be any impact to our programs? In particular, to anything in the '12-13 award year?

Jim Runcie: Okay. Thanks for that question. The first thing that maybe I'll add before I turn it over to David is that we have not been instructed to formally plan for sequestration. So, in terms of what the expectation is from an operational standpoint, we have had plans in the past and were prepared to deal with it, but we have not been formally guided to plan for that. Now, from a policy planning perspective, I'll turn it over to David.

David Bergeron: So, we know that the Pell Grant program is protected under the agreement that has created the possibility of sequestration. So, we know right off the top that our largest program that provides grant aid to students is unaffected. The student loan program – there was a provision in that same law that would result in the origination fees changing, but we aren't in a position right now to estimate how they would change – to the extent of the change. But it is not like loans wouldn't be available. It would result in a minor change in the loan origination fees. I think the greatest risk is the programs like FSEOG and Federal Work Study where like any discretionary program in the federal budget, it could be subject to reduction as a result of a sequestration. That would be effective for the – not for the '12-13 award year, but for the '13-14 award year, potentially. We've been told that – as Jim said – we've not been told to plan for it, but we've been told that the range of impact would be in the 8 to 10 percent range. And so, there's that potential impact, but it's a reduction _____ appropriate level that we don't know yet. So, Congress could add more money to the work study program – we've asked for more money for the work study program – a 20 percent increase. And if Congress then came back and reduced from that 20 percent increase level – some 8 percent, we'd still be ahead. So at this point, we just don't know the base from which the cut would be made, or whether any cut would be made at all. As Martha said, the administration has made it very clear that across the board cuts – the nature of the sequester – are not something that are acceptable or supported by this administration, and we're doing everything we can working with Congress to make sure that that's not happened. But the ongoing negotiations are something that we just have to watch and see what the impact ultimately is on our progress. But we do not expect, at this point, that we will see any because these education programs are high priorities for the president – for this administration.

Jim Runcie: Thank you. We will move to mic five.

Audience: Whoa. That really is bright.

Jim Runcie: Sorry.

Audience: I'm gonna try to – it's okay – I'm gonna try to comply with the rule to not have a two-part question. So, this is a run-on. *[Laughter and applause]*

Jim Runcie: That's a classic.

Audience: So, my question is regarding the recently published GEN12-21, which I'm sure many schools were happy to see. And this is for bookstores that are not owned by the institution, but have a written contract or legal agreement. My question is: what constitutes a student's authorization? Is this a signed document, just representing themselves at the bookstore, or do they need to give us something like hard copy that we need to keep? And, in addition to that, for Pell eligible students that opt to use the bookstore as the option for purchasing their books and supplies, is an authorization required at all? Thank you.

Jim Runcie: Thank you for that runner. Would that be Carney? Carney, would you?

Carney McCullough: Actually, David's more familiar with the bookstore __________.

Jim Runcie: Okay.

Carney McCullough: But we're conferring over here.

Jim Runcie: Okay, great.

David Bergeron: So, yeah, I'm glad you mentioned that dear colleague letter. I know many of you maybe haven't seen it because we issued it while we've been here at the conference. It's a great thing about these days; we have technology and we still require ink signatures on these letters, but I was here and it was there, but we still got it done. So, I'm glad you asked about it. The requirement is that you have a part of the file in – that you retained authorization for other kinds of disbursement issues that may – where you're required to get a written authorization – an authorization from a student. With regard to the second part of your question, I think that the general principle applies in the case of Pell eligible students. They go and they use the bookstore and you're using that mechanism – you need to comply with the requirements of that dear colleague letter. In the Congress and in – our regulations have been clear about the limits of the withholding of funds and using those funds to pay other parties for many years, and this is an expansion of the treatment that we provided in the context of student housing for example where there's a contractual arrangement between an apartment owner – apartment building owner and the institution. So, we're building off of that requirement in the same requirements – the same probations would apply in this instance.

Jim Runcie: Great. Thank you. Microphone six.

Audience: Hi, good morning. Heather Shelley from Northland College. My question is regarding verification. Jeff Baker mentioned that we wouldn't have any exceptions for receiving tax transcripts going forward. Our question is: we have students whose parents owe money to the IRS. So, IRS is not releasing tax transcripts even if they're in a successful repayment plan. So, our question is: are you going to work with the IRS to make them release those transcripts going forward, or will you be releasing guidance to us on what to do with those students?

Jim Runcie: Well, I can answer the first part of the question. We're not gonna make the IRS – but let me turn that over to Carney McCullough.

Carney McCullough: I'll attempt to answer some of that. How's that? I think what Jeff was referring to – we're talking about '13-14; and the relief that we gave for '12-13 back in April of 2012 where we gave you a limited period of time where you could accept copies of paper tax returns rather than using – getting a tax return transcript. You'll also note that we issued a dear colleague letter – or an electronic announcement; now I can't remember which it was – earlier this month in earlier November saying, "We're kind of – you're probably at the end of doing your verifications for 2012-13 and we're aware that there's still some individuals for whom you're unable to get an IRS tax return transcript." In that electronic announcement we said, "For the remainder of 2012-13," and what I'm emphasizing there is this is: this is guidance only for '12-13. This guidance doesn't carry over to '13-14 – that you would be able to collect a copy of the paper tax return. You would need to retain documentation – and I've heard variations on the question that you asked, and I think we're gonna have some conversations with our colleagues in the IRS just so we can get a real handle. I've heard people tell me that they have information where it says the IRS is not releasing a transcript or that there's going to be a delay. And there's a slight difference between the two. So, we'll try to get you a more definitive answer and post some Qs and As on that. But, once again, if you were truly – if somebody is unable to get a tax return transcript for the remainder of 2012-13, they need to get a copy of the paper tax return, the need to collect documentation that they were unable to get a tax return transcript, which could be paper letter from the IRS or it could be a copy of the screenshot that they're getting. The tax filer needs to sign that. And then, the third piece of documentation is we're asking that you collect the IRS form 4506TEZ or 4506T which lists your institution as the third party to whom a tax transcript could be sent. Now, if you have no reason to believe that the information on the paper tax return is inaccurate – in other words, no reason to believe there's a problem with it at all. You just retain a copy of that 4506 form in the student's file. If, for some reason, though, you do think that there is a problem, we ask that you send it in to IRS. But we're down to the point in time where we believe that people who are not able to get a tax return transcript for 2012-2013 are just not gonna be able to do so because of authentication and other issues. But as Jim said, we continue to work very closely with the IRS, and they've been very responsive and very helpful, and it's been a learning process for all of us, but they've been great partners in this.

Jim Runcie: Thanks Carney. Let's circulate back to mic one. Good morning.

Audience: Good morning. My name is Heather Sozby, and I'm from the University of Northern Iowa. As I was looking through the conference sessions, I noticed there was nothing regarding the TEACH grant or Perkins loans. Now, as many boos as I may get, I feel like I'm a big enough girl to handle that. We actually rely heavily on the TEACH grant. It provides millions of dollars to our students, we provide one on one counseling with them to be sure they understand the repercussions of not fulfilling their obligation. So, that's the TEACH grant. The Perkins loan – I noticed on the first day with the budget proposals – there was a huge increase in the Perkins grant that's being proposed. And so, I am wondering if you can give any insight into those two programs. And I realize that over the last couple of years there have been rumblings about these two programs and these two programs changing. So, if you can give any insight into those, I would appreciate it.

Jim Runcie: Thank you, Heather. Mr. Bergeron?

David Bergeron: So, let me talk about TEACH grants first. So, as many of you know, the TEACH grant program is an aid offered that is provided as a grant that becomes a loan if the individual doesn't fulfill service obligations. When the program was set up, we were concerned and continued to be concerned that a lot of those people who receive TEACH grants ultimately will have those become unsubsidized loans. That concerns us. We had proposed and reflected in the budget table that we showed on the first day of the conference that to reform the program, to create – take the – let current students continue to receive TEACH grants but then to provide the additional support as true grant funds late in a student's academic career where they're more likely to go on into the teaching workforce as Presidential Teaching Fellows. So, that's our budget proposal; that's what we'd like to do. There are other reforms that we're pursuing with regard to teacher accountability and teacher – and reporting systems that are required not under Title 4 but under Title 2. And so, we do have a comprehensive blueprint for teacher reforms that includes the conversion of that to the – to a Presidential Teaching Fellows. With regard to Perkins loans, the slide reflected our proposal of a number of years to change the nature of the Perkins loan program from the Perkins loan program where loans are made out of a revolving fund that institutions maintain to a larger, more robust program where institutions could control the award of essentially additional unsubsidized Stafford loans to borrowers that are in need of that – but really, to leave that as a discretionary tool on the part of institutions. Both of those changes – the conversion of the TEACH grant program to Presidential Teaching Fellows and the Perkins loan change that I just described – would require congressional action. Congress hasn't acted on that yet, but it is still our budget policy and our budget proposal. We're in the process of developing our proposals for fiscal year '14. They may change. We may want to do some things differently than we proposed in prior years. But right now, that's our budget policy and once we submit a budget, we generally don't change it. But that's kinda where we are with those two programs.

Jim Runcie: Thank you. Microphone two.

Audience: Good morning.

Jim Runcie: Good morning.

Audience: Jenny Ray, University of Toledo. We also have a concern on the parents' inability to get the tax returns that owe money. Far be it for us to lock horns with Jeff Baker.

Jim Runcie: That's why he's not here right now.

Audience: But, I would just like them to reconsider the hard line of the "too bad, so sad" attitude that he kind of portrayed in the first general session. What we were seeing was that these are families that aren't – they're not paying their taxes. These are business owners that maybe didn't estimate quarterly taxes, maybe; or the middle income families that kind of get lost in some of the financial aid programs anyway, that maybe didn't get one deduction this year and end up owing money or something. They filed their taxes – their check is in the mail. It's the IRS's definition of who their customer is. So, they're putting them at the end of the line. Those are the folks in our lobbies, on our phones that are very desperate to get their financial aid package for their freshman.

Jim Runcie: Thank you. Look, I – Jeff's not here, but I think we all share the concern about making sure that we don't limit access and that we're as responsive as we can to all students. We'll – I think it's a situation where we'll continue to monitor that. We'll have conversations and see if there's anything that we can actually do to address that, but we will absolutely look to try to address that. David?

David Bergeron: Let me just add a little bit, and Carney may add on, too. Our first priority is to make sure that Pell Grant funds go to students who are truly eligible for them, and it's a very high priority of ours to eliminate improper payments. It will continue to be a concern. On the broader point, as Carnie indicated, the IRS has been a tremendous partner as we've implemented the IRS data retrieval tool and all of the changes that we've done since with the IRS have been done with a lot of collaboration and with a great working relationship. They are – every year, the IRS looks at their business processes and makes changes to those business processes, and responds to what they see and the facts on the ground. So, what we try to do is work with them to make sure that they are able to meet our needs as well. We can't tell them how to do their business. We can't change the nature of their business, but they're always trying to continuously improve their business processes as well. Part of our indicating that there's likely to be a different approach we will ask you to take, it's because we think that – we believe that there are changes afoot on the IRS side. But at the end of the day, we have an obligation; that obligation is to carry out these programs in a way that eliminates – doesn't just reduce to an insignificant amount – improper payments. It's something that we will continue to do in partnership with you and with the IRS.

Carney McCullough: I'll channel my inner Jeff Baker for a second and try to play Jeff here just a little bit. You referred specifically to incoming freshmen and getting those packages out. I've got a son who's a senior in high school and with friends that'll be applying for aid, so I certainly understand the need to get estimated aid packages out to students. I think what Jeff had said in the past is that, certainly, you – and I know it's a two-step process of the _______, and you really would like to get them completely verified and have that taken care of. But as an interim step, you might want to think about looking at the paper tax return – it doesn't mean that they've satisfied verification at that point; but if you're not seeing any problems, giving them an estimated award – because you know you're not gonna be making disbursements until after July 1st. So, I just offer that as a potential stopgap procedure just to keep in mind and think about.

Jim Runcie: Thanks Carney. While you're up, we might as well give you the first tweet. We have a tweet from Carol Knox @Gem2Red. The question is: "Can we use 1 verification worksheet for new reg?"

Carney McCullough: My answer to that is: please don't do that. And the reason I'm saying that is: if you have come to any of our sessions and if you've been sort of tracking what we're doing, we have five verification groups for students. A student will be selected for verification; they'll be placed in one of five verification groups. If you were to develop a verification worksheet using the sample text that we're going to be providing in the next couple of weeks, and you asked for every single student to verify every single item, you're really going to overburden students who will then be verifying information that they really don't need to be verifying. And let me specifically call out the high school completion and the identity issues there. Our idea with giving you verification text that you could use to create worksheets – you can make them really customized. We would love it if you were able to give one to David, and a different one to Sue, and a different one to Brenda, and yet another one to Susan based upon their individual verification group, and whether they're a tax-file or a non-tax-file, or whether a dependent student or an independent student; but we also recognize that you may end up creating a worksheet for each one of the groups. But I would really caution you against using a worksheet for group five, which is really the aggregate group that considers everything for all of your students, because we're trying to reduce burden on you, the institution, and also on our students. We're trying to put them in a verification group that indicates what they need to verify based on our profile and what items are error prone. So, we would really prefer you not to ask everybody to verify everything. That's kind of overkill.

Jim Runcie: Great. Before we go to mic three, we're on a Twitter roll, so maybe I'll ask one more tweet. This is interesting. It's from Running Enigma @knauert. But the question is: when is the new audit guide coming out? That question goes to Susan Bowder. No? Or is it –

Susan Bowder: Yeah, we don't have a date for the new audit guide. It's actually the IG that works on that audit guide, and so we're kind of at their mercy. We don't know yet when that's coming.

Jim Runcie: Yeah. As soon as we know, we'll communicate that out so that you'll have it –

Carney McCullough: Tweet it out. We'll tweet it out.

Jim Runcie: What's that? We will tweet it out. Microphone three?

Audience: Hello. I'm Lynn Leslie from Cabrillo College in California. I have an echo. Mine is a compliance question. The regulation states from the time the money shows up as a credit balance in the student's account till it's in the student's hand is 14 days. Our school contracts with a third-party banking institution called Higher One which we're not in love with for a number of reasons. They offer the student three different ways to receive their money. They can have post funds to their card in one day, post funds to a checking account in three days, or wait for 21 days for a check to be mailed to them. So, if we have to get the money to the student in 14 days, how can the third-party bank justify taking 21 days? And do we have any leverage?

Jim Runcie: Thank you. Thank you, Lynn. I'll turn that over to David Bergeron. He really wanted this question.

David Bergeron: Yeah, I really wanted this one, 'cause I want to be really clear about this one. Higher One or any vendor that is providing a service to an institution that the institution would otherwise be providing themselves is required – is to complete the transaction – complete their work consistent with our rules. So, if Higher One is – or any other vendor – is taking 21 days to disperse the credit balance to a student, that's not in compliance with our rules. And yes, you have leverage. You've entered into a contract with them, and that contract almost certainly has conditions that says that they're gonna be compliant with our rules. More significantly, I would point out to you and to everyone in the room, that you're responsible for the actions of your vendors acting on your behalf. So, you're out of compliance with the rule because of their action. And so, you need to monitor your vendors in every instance to make sure that they're compliant with the rules. Just don't take their assertion that they've checked with Ed, and Ed has said they're okay. We have met with a number of vendors over the years, and they have made representations to us about what their business processes are, and have said to us: "We're fully compliant with your rules." We'll make sure that always in all cases that students, for example, will have their cash in their hands in 14 days. If they're saying to you that that's okay to wait 21, that's not consistent with our rules. We have a problem with that.

Jim Runcie: Thank you. Microphone four? Hello.

Audience: Good morning.

Jim Runcie: Good morning.

Audience: My name's Kathy Campbell and I work at Chemeketa Community College, the second largest community college in Oregon. I've been in financial aid for 40 years. I was 12 and it was before there were child labor laws. 32 years I've spent at community colleges. As you know, we have very open door admission policies at community colleges. I will say that Chemeketa is also a participant in Foundations of Excellence. And so, we are very concerned about students' success, and retention, and advising, and all of those things that will help our students complete. But I'm struggling a little bit right now because we were also a targeted school for a fraud ring because we have a big distance-ed program – or a distance-ed program. I worked with the office of inspector general _______ and I will – I'm happy to say that fraud ring was convicted. At least, some people were. That was a good thing. But in that work, and in knowing that our cohort default rate would be rising with the three year rates, even though I wasn't required to, I instituted a default management plan. I will get to the end of this, but I wanted to give you a little bit of background. And in that plan, because we want to make sure that our students stay around longer than five minutes after they get their money, we put in place a 30 day delay for all first-time borrowers at our institution. I had a student a few weeks ago – she was not a good student, by the way, but that's beside the point – that contacted the Department of Ed about that policy saying that she had gotten aid at another school and shouldn't have had a 30 day delay. So, that is traveling through right now – the Department of Ed – that question. I'm really here to say, you know, I've attended all the sessions on default management. I've hired a financial aid compliance officer at my school, and we are onboard with, number one, trying to protect the student from taking out excess debt and not going into default, and to protect the institution as well. But I feel like we're getting mixed messages from different areas of the Department of Ed about this. And so, I'm really here to ask at a very high level if the department could take policy, take the OIG's office, take the default management people, and issue some latitude to schools who are trying to combat those things so that we can have some tools in our toolbox, and be good partners in administering aid.

Jim Runcie: Thank you.

David Bergeron: So, there are a couple things that you said that I think are really important. One is: there are lots of tools that are out there that maybe institutions are using and we have learned are good practices. Then, we should be promoting those. So, one of the takeaways from what you've said – and I've heard a couple of other people raise similar kinds of things – when we identified best practices or things that we think are particularly effective, we should be disseminating that information. The other part of that is making sure that we're all aligned with regard to what we say to you and to say to students, and that's an important piece of our ongoing work around communications. The one office that I cannot control what they say is the office of inspector general; although I will say around the issue of fraud rings, they have been tremendously helpful and continue to be tremendously helpful. So, I think it is – Martha said in her remarks: we're really interested in getting examples of best practices submitted to us so we can promote that. We posted a couple of weeks ago, I think, the results of a convening we did on student success. We also have recently posted the results of an earlier request for information that deals with access and retention issues. I think that there's some significant benefit to our posting ideas that institutions have implemented that have been effective in reducing default. And so, I'll take that back and see what we can do to make that available to you and to everyone else.

Jim Runcie: Thank you, Kathy. That was very good. I just want to remind folks of the 140 character tweet limitation of your questions. But no, we still – seriously, we still have lots of folks lining up, so if we could be somewhat quick with our questions. Thank you. Microphone five?

Audience: Hi. I'm Sheila Millman from Los Angeles Harbor College. My question is: is there any thought about reinstating the ability benefit provisions? I was one of the schools that did the experimental site work on the ability to benefit and was responsible for the six unit addition to that. Clearly, the data is there showing that those students do as well as students who had a high school diploma. Probably the only reason that they were eliminated is they didn't have a lobby. I don't know if there's any work on data driven stuff in terms of homeschool. They have a lobby. I also am seeing that there are loads of students who are coming in with assets and getting money. I really feel that it's incredibly wrong to eliminate this group of students that haven't always been helped and clearly couldn't speak for themselves; and I'm here to speak for them, and I think it's wrong to have eliminated that.

Jim Runcie: Thank you. Maybe we could have a quick response, David, on that one, because I mean, that's a relatively new change that we've just made.

David Bergeron: Yeah. We appreciated particularly the work that the folks who were in the experimental site on ability to benefit did around the six credits. That work was an example of a really effective experiment from that first round that we did and really served as the model for the experiments we're pursuing right now. We've had some conversations around the issue of ability to benefit. And let me just say: first of all, it is, in our view, really critical that we find ways to help returning adults get back into our educational system. There is – there's a number of institutions that have implemented programs to help students get general education diplomas – GEDs – and are working with students to do that. That has been effective in many places at getting students who would've qualified based on ability to benefit enrolled and successfully engaged in education. So that's a best practice that's out there. A lot of people are working with that. On the other side of it, which – your point that they didn't have a lobby – there are lots of folks – lots of organizations that are very committed to serving and making sure that we serve well – students who lack a high school diploma. We work with those organizations almost as much as we work with associations like a NASFA. We're looking at ways that we can address this concern. It is something we share some concerns about. It was done as a way to preserve Pell Grant funding, candidly, but we really want to find ways best practices, effective practices – to get students who are not eligible today eligible. But it may be through some kind of comprehensive online approach to preparing people for the GED.

Jim Runcie: Thank you David. Microphone six?

Audience: Andrea Soppolo from University of Maryland, University College. Is it possible for COD to partnership with the servicers and possibly some schools to incorporate some additional edits and enhance the technology? I've got two specific examples. The first is to have an edit at the time of origination if the student already has a loan originated at another school. Currently, we don't get an edit until the funds have dispersed and the student has a refund that they've been awarded over their aggregate limit for the year. If we got that upfront, we'd be able to work with the students to either do a consortium, reduce the loans at one or both schools, or make other payment arrangements. The second example is loan fees. If we transmit a loan with incorrect loan fees, if COD could send us a response file with the correct loan fees and load them into our system and it corrects the award on our end. Private loans, alternative loans currently do this, and it makes it a little bit easier – especially with the July 1st fee changes that happened midyear.

Jim Runcie: Excellent. Thank you. Sue Szabo?

Sue Szabo: Yeah. I'm gonna have Bill Leith respond to that.

Jim Runcie: Okay, sure. Bill Leith, there's a microphone here, and a nice box for you to stand in. Yeah, you're good.

Bill Leith: I think when the loan fees – we've looked at that before, and we actually need to look at that again. It's a good point, and I can't remember why we haven't done that, but we will take that back. On editing, on the origination: we can also look at that, but the problem we have is that so many originations come in for the same student that if we start to edit on all the originations, we're gonna have – we might create a bigger problem, but we will take that back and see what we can do. Thanks.

Jim Runcie: Thanks. Good questions and good comments. Okay. Microphone one. And this is a KG veteran right here. She was over behind on microphone four. She saw a vacancy on microphone one and she reallocated. System correction. Terrific. Thanks for your patience, by the way. Really appreciate it.

Audience: No, you're welcome. That was strategy, which is what I'm here for right now. I am – my name is Kyra. I'm from Sojourner-Douglass College. We're an urban college in Baltimore, Maryland. 46 percent of our students are low-income poverty level students. We have a scholarship program because our schools are usually the needier students and get – most of the grants and scholarships that we offer the students that if they decline their student loans, that we will offer – give them a scholarship that will pay the balance of tuition and fees, and let them borrow books from our bookstore and return them to really lower their costs and let them get a degree at no cost to them. My question is: has the Department of Education considered working with social services departments? Because at the same time that unemployment sent letters to students telling them to return to college, social services offices in Maryland also told students to do the same thing. We have an influx of students who are telling us that social workers are telling them: if they go to college, they can get money for going to school. And so, we're finding ourselves being a secondary welfare program for students who likely, even with the degree, won't be able to graduate and get a job to handle the costs and paying back the student loans. So, I don't know if that's something that you guys are aware of, or if that's something that you are addressing. 'Cause we're also concerned about our default rate projecting out the next five or ten years.

Jim Runcie: Great. Excellent. Excellent. Well worth the wait. Thoughts, comments?

David Bergeron: Sure. Yeah. I was aware of this. I went to a conference fairly recently with Maryland financial aid officers and this issue came up. We've been in contact with our colleagues at the Department of Health and Human Services, but very preliminary conversations have occurred. It's something that we're aware of, and we intend to do some work around making sure that it is appropriate for some folks who are currently receiving benefits from the – the transition – I can't remember the new name – what TANF stands for, I'm sorry to say.

Sue Szabo: Temporary Assistance for Needy Families.

David Bergeron: Thank you. See? I hate to use those shorthand things. Sometimes my brain doesn't process it fast enough. But we are aware that there is that, and there are real legitimate reasons why they – the caseworkers do want students to return to school, and it's just not an alternative to the welfare system. They really, genuinely believe that the students have the ability and need to benefit from educational programs that are being offered. What we need to do is make sure that when they're making those recommendations, it's just not a blanket thing, and that's something that we are working on – doing some work with. Our colleagues at the Washington office who work with the states to make that program work better.

Susan Bowder: Kyra, I appreciate your suggestion as well. A lot of the work we do is outreach efforts across the country. And of course, we're very concerned about putting our foot forward best in areas with low to moderate incomes, and those who will benefit most from federal aid. And so, creating partnerships at local areas is something that we want to make sure we do, and I think your suggestion is one I'm gonna take back and see if there's a possibility of doing that at certain targeted local areas. So, thank you.

Audience: *[Inaudible]*

Jim Runcie: Can we turn her mic back on for a moment?

Audience: Just to give you another statistic. I said 46 percent of our students were low income or poverty level, and we had that scholarship to pick up the rest of the tuition in fees? Only 2 percent of those students do that. The rest of them want the loan, and they don't need it.

Jim Runcie: Thank you. Microphone two. How are you doing?

Audience: Good. This has been an excellent concert. Thank you. My question relates to the high school graduation requirement and GED. I just read a week before I came here that beginning in January 1st of 2014, the organization that oversees these tests is changing it to a two-tiered model.   There'll be a basic GED, and then a college career-ready GED. I was wondering if both of these levels of GED will be acceptable for Title 4 eligibility.

Jim Runcie: Thank you. That's the first time I've heard that, but –

David Bergeron: I'm getting tired.

Jim Runcie: You might've stumped us.

Carney McCullough: I was gonna help him, but you know –

Jim Runcie: You could've ducked.

David Bergeron: I'm getting tired. That's actually a good –

Carney McCullough: It's a good question.

David Bergeron: That's a really good question. Let me talk real briefly about what's going on with regard to the GED. There's really been a lot of work being done to make sure that the quality of the GED and the way in which it is awarded is approved. So, and it's really a tremendous work. We have no seen at this point the specifications for what exactly they're going to do at the two levels of the GED. There's no differentiation made in the statute, so my expectation is that we will accept both. But I'm not prepared to say that definitely yet because, again, we have not reviewed the detailed specifications of what is being assessed at the two levels. As soon as we do, we'll get word out to you.

Jim Runcie: Thank you. Microphone three.

Audience: Good morning. My name is Richard Gridsman from the University of Memphis. My question is this: we are seeing more and more students who are entering their junior year, and in some cases just their sophomore year, and are reaching their aggregate limits in loans. Do you have the authority – and if not, would you work with Congress to get the authority – to change the loans to make them similar to the Pell Grant program? In such that when a student is fulltime in Pell, they get the fulltime amount. But if they're halftime, they only receive half that amount, making the loan program the same way.

Jim Runcie: Thank you. Sounds like a lot of consensus around that one. Okay. Sounds like a policy. We're involved in those discussions –

David Bergeron: I want to say – you know, I was joking about this when I said I was tired. I don't remember a town hall when we've had better questions from the audience. I was sitting here – when I made that joke I thought, "Well, I shouldn't make that joke 'cause you guys are asking amazing questions, and really thoughtful, and really making me think."

Susan Bowder: You're doing an amazing job answering them too, David.

David Bergeron: And I hopefully can – occasionally I get an answer right. No, this is your _______ along eligibility. It goes back a ways. In the past, you all would've said, "Don't do that. It's too complicated." Certainly, the FEL lenders would've said, "Please, please, please. No, no, no." So, one of the things we're all adjusting to is the fact that we are 100 percent direct loans. And this is an issue I don't remember us thinking about since we made this transition. Certainly, we'll think about it. It's a really valid and very significant point that we need to address and look at. So, I appreciate you raising it. I won't try to answer it because it does require a lot of thinking and a lot of conversation, but it's an excellent, excellent point. So, appreciate it.

Jim Runcie: Thank you. Let's to a tweet from Dana Marie. When will the 2013-2014 FAFSA be available? You know, we need a little – some easy questions here. When will the 2013-2014 FAFSA be available?

Carney McCullough: And the answer is? ______ January 1st.

Jim Runcie: January 1st. See? We were okay.

Carney McCullough: January 1st, 2013.

Jim Runcie: What year? Oh, 2013.

Carney McCullough: David, is it okay if I answer that one for you?

Jim Runcie: Great. Microphone four?

Audience: Hi. I'm Beth Hunterseer from Savannah College of Art and Design, and I have a question concerning PLUS loans and the PLUS loan application process. Some years ago, I and other schools – we pushed to get the Department of Education to provide something to parents to apply – and graduate students now – to apply for the PLUS loans. And the idea was that you were going to deliver something that would be as robust as what schools we would've been required to do to certify the eligibility of the parent. And, now there was some questions coming up after a couple years of doing this whether or not that's truly happening, because I know that you checked the date of birth, the social, and the name of the parent. And so, there is some process to look at the eligibility of the parent. And my understanding is also that by the parent – the person applying – doing the master promissory note, they're certifying that they're an eligible borrower. But in some sessions, we were told that the school ultimately is responsible for certifying and saying that the borrower is eligible for this PLUS loan, and that leaves a question: there is holes. When this first came out, we asked, well, what about – they weren't ________ checking the eligibility for – are they, in actuality, an eligible borrower as _________? So, our question is now: is there any way that ______ come back and look at ours and say, "You're not making sure that all these borrowers are eligible?" Because the process basically comes into – the application comes into us, we're able to load it into our system – we're a banner school, make the award, it loads the information right into the system, we send it to the COD. To now have to say that we'd have to also quote certify or check _____ eligibility is like a duplicate process. What's the point of having the PLUS app process if it is not completely vetting that borrower to be eligible for a plus loan?

Jim Runcie: Thank you. Sue, I don't know.

Sue Szabo: I think – and I may have to call on my staff, but there is a certain point of validation to make sure that that borrower exists and that we do a credit check to make sure that that borrower is eligible.

So, those things are performed. I think what I'm hearing is, "We don't know that that's really him. We need you to do those things." I mean, right.

Audience: *[Inaudible]*

Jim Runcie: You know, I'm gonna do this just one more time. Turn the mic back on.

Audience: Well, because the reason is because there is – right – more pieces to it or whatever, and then you're back to having a duplicate system. I know other schools that are doing that. They're now still having to ask the borrowers for additional information. This goes back to trying to simplify a process where they're looking at me going, "Well, why are you asking this? I did the Department of Education's PLUS application process. Why am I have to doing more?" And then, are we gonna be held responsible? I talked to another school who said they were held responsible. It wasn't eligible or borrower – they had to give the money back, and they got left holding it because those PLUS loans could be large, and you can end up with a __________ on our account.

Sue Szabo: Yeah, Bill can probably walk you through that.

Jim Runcie: Okay, thank you. Thank you. Back in the box. Thanks, Bill.

Bill Leith: I understand your question. It came up; it's a good question. We need to look at – when we get the PLUS record in to match that up to see – it's really about doing the agency matches on the parent that may not have been – well, that has not been done. So, we can certainly take that back and look at it. It's a really good point, and we've heard it this week. Thanks.

Jim Runcie: Thank you. Microphone five. Hello.

Audience: Good morning. Catherine Boscham-Murphy, Montclair State University – exit 16 off the turnpike.

Jim Runcie: Great state of New Jersey. I'm about 15 minutes from there. So, ask a nice question. I'm from New Jersey.

Audience: I understand that you can't always get IRS to do what we want them to do. But I would like to invite the department to have a conversation if you have not already done so about their system upgrade over Labor Day weekend. They were shut down from Thursday through Tuesday. That included the internet and every

IRS office. We bring our students in Labor Day weekend. We had students who couldn't get documentation.

Jim Runcie: Okay, no, thank you. Thank you. Yeah, we were aware of that because they switched buildings and they had some systems transitions, and we were aware of that. I'm not so sure about the total impact of that on our student population – school population. But – I don't know if anyone has any other comments, but thanks for that. Okay.

Sue Szabo: In summary, I think what Jim's saying is true. We were aware of it. We'll continue to work with them to make sure we sync up better with our peaks and valleys as we move forward.

Jim Runcie: Yeah. No, the timing was not ideal in that circumstance. That was a move that was planned for years, and it was a pretty substantial move. So, we didn't have much of an ability to have a discussion with them about that, but we'll be – okay. So, thank you. Microphone five again.

Audience: Could we have gotten –

Jim Runcie: I'm breaking my own rules, by the way.

Audience: And I appreciate that.

Jim Runcie: Okay. Thank you.

Audience: Could we have gotten that information from you guys as opposed to from students walking in with a high frustration level? That's the point.

Jim Runcie: Understood, and you're right. Thank you. Microphone six.

Audience: Good morning. I am Bill Spiers from Tallahassee Community College here in Tallahassee Florida. I am very concerned by the fact that our developmental students – particularly those involved at the lowest level of developmental courses – continue to borrow at high rates. And yet, there's very little we can do about that, even with the statistical knowledge we have, knowing that students in the lowest levels of developmental education succeed at a rate of about 3 percent throughout the United States. This is something that we must address as a society, and we must find ways of helping these students outside the realm where we normally are. Which actually leads me to my question: can the department please change the language on the information sent back to students telling them that they qualified for a $5,500 dollar Pell, and a $12,000 loan limit. This is very misleading. This is very misleading and only sent students into our offices thinking that we're lying when we tell them that, "No, these aren't the amounts you're eligible to receive." This is exacerbated by the fact that when they call the 1-800-4FEDAID, that they're told, "Oh no, that's the amount that you can receive."

Jim Runcie: Thank you.

Audience: This is a simple language change that can be done without much effort. Please make these changes and address the impact – particularly on our developmental students.

Jim Runcie: We get it. Thank you. Thank you. Microphone – we acknowledged your comment. We understand it, and it sounds like we're gonna have some more discussions about it. I'm sure it's not the first time that we've heard that as well. Microphone one.

Audience: Hello. My name is Beth Stevens. I'm from St. Catherine University in Minnesota, so I very much appreciate having the conference in Orlando this year. I was wondering if you have – or if not, if you'd be willing to reach out to the Department of Health and Human Resources in an effort to provide coordinated information to be able to include the nursing loan information in with the federal loans? Students tend to hear that it's a federal loan. They don't know what title the loan program falls under, but it would be a real benefit to the students if these loans could be included in the NSLDS and other coordinated loan counseling and materials that you're providing.

Jim Runcie: Okay. Thanks, Beth. So, okay.

David Bergeron: Again, I appreciate the comment. As I've said, the comment we're getting – and questions – are great. We've had conversations with the Department of Health and Human Services over the years about the health professions loans. They're not – because they don't do this as their core business, their systems are not quite as robust as the ones that support our Title 4 programs. So, over time – and that gap has gotten bigger, not less. So, it's been really hard technologically to do that, but we certainly are committed to trying to find a way as they advance and as we advance in terms of our technology, to bring that information together. It's a really great point. I appreciate it.

Jim Runcie: Thank you. Microphone two.

Audience: Good morning.

Jim Runcie: Good morning.

Audience: Jim Reed, West Texas A&M University. Boy, it's hard to say with the vibration coming back. This conference has been very good. It's talked about transparency, simplicity for students, and attention to fraud. But the fraud has been talking about the fraud conspiracies. I'd like to talk about a fraud conspiracy that is – that appears to be perpetrated by the department in the way it leads students to answer questions on the FAFSA. We're told – what we do is to benefit the student, but then the questions that are asked – and more importantly, not asked – encourage the students to omit information. The under secretary was mentioning the increased number of Pell recipients. Some of it has to do with people who are gaming the system and financial aid people that have been told, "Just do what's best for the student." It becomes very concerning that when we pursue such things, we find ourselves being told that we're being too hard on students. I've been in this for 20 plus years, and was always told that I had a responsibility to the government and to the people of the United States to try to make sure that the right people got the money to go to school.

Jim Runcie: Well Jim, let us – we've only got like about three minutes left. Let us respond to what we're doing in terms of fraud – Pell fraud. We've done a bunch of things over the past year or so, and maybe David, you can talk about that.

David Bergeron: Yeah. We've been very, very concerned about the issue of fraud rings. We made some – as you've listened to us talk about the verification work and the addition of identity verification – really been honing in on that issue. I think that in the coming weeks and months, you'll hear us talk about it more, try to find more opportunities to do that. But I think that this question – it really is broader that in the sense that when we talk to our colleagues at the office of the inspector general, they often say, "You, as financial aid officers, are our eyes and ears on the ground, and we really do encourage you to exercise your professional instincts in pursuing concerns." I know – sometimes we get overzealous and certainly folks who get on telephones and answer questions from borrowers or from students, and they do that – and trying to do it in good faith, and to be as direct to students as possible. Sometimes, the information they get gets crossed with the messages you guys are trying to send, and we know that. It's something that is an ongoing challenge – something we continue to work on – to try to find ways to balance the messages and to make sure that we limit our exposures as much as possible to the instances of fraud. So, I really do appreciate the comment.

Jim Runcie: Just time for one more question. Microphone four. I don't see anyone on three. Okay. So, great.

Audience: Sue Carns; William Jewell College, Missouri. Mine is a simple question, I think. It has to do with the PPA. Of course, we all know how long it already is, but it refers to all the citations for what we're agreeing we're going to do as an institution. I think it would be quite helpful if the department could come up with – I considered that – let's say the executive summary. Maybe we could have a full-blown example that would list the citations, or even a site that we could go to to reference those? Because trying to explain to others on our campus who are part of compliance efforts – and you give them a PPA to read. Hey, they don't know where to begin. So, I just think there'd be a great – that would be a great tool for the department to provide to all of us – especially our president as well since they're signing them.

Jim Runcie: No, that's a great idea. Absolutely a great idea, and that sounds like something we can work on getting done. So, we'll get back and we'll huddle, and we'll see what we can do and when we can do it. Thank you very much. I want to thank all of you for your great questions. It's been a lively discussion. We couldn't answer all of the questions, but we do have the Ask-a-Fed sessions that are over in Bayhill 21-22. They'll be around until about noon. Still two more blocks of sessions, but just really want to thank you for a great week, and hopefully you get home safely. Thank you so much on behalf of FSA and the department. Thank you.

[End of Audio]