



VIRGINIA CAREER COLLEGE ASSOCIATION

Virginia Career
College Association

Volume XVII, Issue 3
May, 2008

Inside this issue:

Private Loan Access Remains a Problem	1
New Nursing Regulations	1
HEA Amendment Highlights Defaulter Profile	2
Profile Continued	3
Gen. Assembly Approves Bond Package for Public Education	3
CDR Amendment needs Lobbying	4
VA Dept. of Taxation Surveys Career Schools	5

PRIVATE LOAN ACCESS CONTINUES TO TROUBLE CAREER COLLEGE SECTOR

A combination of factors, including the subprime lending crisis, and recent congressional action substantially reducing student lender federal subsidies have led to a perfect storm, creating dire consequences for many career college students. As a result of these actions, many large private lenders have simply withdrawn from the career college student loan market.

Access to private lending sources has become a critical component of many career college students' plans to fund their educations, especially economically disadvantaged and working class students. The severely shrinking market place for such private loans is now starting to be reflected in a growing number of students who are unable to finance all of their educational needs.

This situation is evolving daily, and Congress has been made keenly aware of the concerns of our sector. Increases in federal financial aid and more effective usage of lender of last resort requirements are all being considered. In the meantime, VCCA member institutions are advised to carefully monitor this situation, remain in close communication with current lenders, and begin exploring new options to assist students in meeting their educational funding needs.

STATE APPROVES NEW NURSING REGS

After months of review and delay, the state has finally approved new regulations governing the practice of nursing. VCCA member schools currently offering a nursing curriculum, or those who may be contemplating offering programs in this area, are strongly encouraged to become familiar with the content of these regulations. You may obtain a copy by contacting the State Board of Nursing, visiting that agency on line at www.dhp.state.va.us/nursing/, or by visiting the Members Login section of the VCCA website.

RECENT PROPOSED AMENDMENT TO THE HEA HIGHLIGHTS DEFAULTER PROFILE

CCA, and a number of other lobbying entities, have been working hard to obtain major revisions to a proposed amendment to the Reauthorization of the Higher Education Act known as the Grijalva/Bishop Amendment. That amendment increases the cohort default time frame, which is now the first two years after a student enters repayment, by adding a third year. Projections regarding the impact the proposed one-year extension of the cohort would have had on the eligibility of many career schools to maintain access to federal financial aid is frightening at best. As a result of excellent advocacy, the worst case scenarios are now facing challenges that will hopefully lead to their abatement (see next article). But the debate did highlight arguments about whether it is the type of institution, or the demographic of the borrower, that best serve as indicators of probable defaults.

Despite what other sectors of higher education say on this subject, the facts don't support many of their allegations that institutional types are a valid predictor of potential student defaults. A review of the current literature in this area summarized by the Project on Academic Success suggests some interesting conclusions.

1. Students who graduate from a postsecondary educational institution are considerably less likely to default than students who do not graduate.
2. The likelihood that a student will default on his/her loan is related to a complex web of factors including the income level of students once they leave and the total level of debt (which is related to the age of the student and the number of dependents).
3. Although it is counterintuitive, total loan debt is not a good predictor of default when other student characteristics are considered. Students who drop out generally accrue less debt and students who graduate accrue higher levels of debt and are less likely to default.
4. Institutional characteristics have proven to be a poor predictor of default when the characteristics of the students enrolled are taken into consideration. If some urban commuting two- and four-year institutions, proprietary schools, HBCUs, or Tribal Colleges have higher default rates, the evidence indicates that it is because they enroll more students who have characteristics at entrance that place them at a greater risk of defaulting. One intriguing study did find that as greater proportions of institutional revenue were devoted to instruction the probabilities of defaulting decreased—but more work is needed on this topic.

DEFAULTER PROFILE, Cont.

5. There is some evidence that African American and Native American students are more likely to default than other students. However, researchers who have examined these relationships suggest that African American and Native American students are more likely to be older, to have lower incomes, and to have higher overall levels of debt—making them more at risk of defaulting.
6. There is little evidence that the types of loans that students take out or whether they have multiple types of loans has an impact on the probabilities of defaulting.
7. There is modest evidence that students who participate in loan counseling programs are less likely to default. Self-selection may be a factor, however, because the students who attend counseling sessions are the least likely to default.

The report concludes that the empirical evidence suggests that default rates are not good vehicles for assessing the quality of institutions or of various types of loans. The causes of loan default are rooted deeply in ever-present tensions around federal financial aid policy. Since 1965 the federal government has made providing access to post secondary education for all students, regardless of income, a cornerstone of higher education policy. Over the years, because of fiscal constraints, Congress has moved from grants to loans as the primary vehicle for assuring access. It is axiomatic that providing loans to low and moderate-income students—who often come from families with weak credit histories and who may be at greater risk of not graduating or of ending up in jobs with lower income—entails greater risk of default. Absent a federal policy shift toward greater emphasis on grants, it is hard to imagine a scenario where a commitment to access via loans will not also result in default rates among some populations of students that are higher than policy makers might like. The alternative is to stop admitting or providing loans to students who are at greater risk of defaulting. This, of course, would undercut the very purposes of the student loan program. This literature review does suggest that public and institutional policy makers can help reduce defaults by increasing their efforts to enhance graduation rates and by taking steps to decrease total student loan debt.

GENERAL ASSEMBLY APPROVES RECORD BOND PACKAGE FOR PUBLIC ED.

Even in tough economic times the Virginia General Assembly can always find some money for public education. Legislators met on April 23rd for the scheduled Veto Session and in addition to dealing with the governor's amendments to legislation passed at the Regular Session in January, they overwhelmingly approved a \$1.9 billion bond package for Virginia's colleges and universities – the largest ever capital infusion dedicated to the state's public academic institutions. Much of this new money will go towards capital improvements at many of the state's community colleges. Construction funded by issuance of these bonds is expected to begin immediately.

CDR AMENDMENT NEEDS MORE LOBBYING

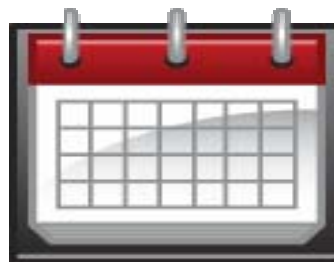
As mentioned above, the proposed revision being considered by Congress to extend the cohort default rate period from two to three years creates grave consequences for our sector's students. One estimate is that 40% of career colleges and schools would either face limitations or lose access altogether to federal financial student aid. There remains a need to lobby members of Congress NOW on this issue. Enclosed with this newsletter is a letter in opposition to the expansion of the CDR tracking period which was developed and promoted by the Pennsylvania Career School Association, their lobbyist Peter Madaus (Former staffer for Rep. Ron Klink of PA), with technical support and assistance from Tom Netting with The Jefferson Group, a lobbying firm in Washington, D.C.

You and your students are encouraged to contact your member of Congress NOW to express your concerns to this proposed change, using the attached letter as a guideline for developing your comments. Focusing your energies at this late juncture on Virginia's two senators would be most important as the Senate version of the legislation does not contain the onerous provisions. (Senators need to be urged to not yield to the House version which does contain the damaging language adding the third year to the CDR language and to encourage their colleagues in the House to remove the CDR provisions in HR 4137.) Virginia's two senators are John Warner (<http://warner.senate.gov/>) and Jim Webb (<http://webb.senate.gov/>).

Timing is critical as the CDR issue will shortly be discussed by the Conference Committee that is charged with ironing out the differences between the House and Senate versions of the legislation. Our lobbyists in Washington warn that without some form of visible and vocal Senate opposition, the extremely damaging CDR provision could become part of the final Conference Report and enacted into law.

MARK YOUR CALENDARS

CCA ANNUAL CONFERENCE – LAS VEGAS – JUNE 24TH-27TH
VCCA ANNUAL CONFERENCE – RICHMOND MARRIOTT – OCTOBER 17TH



VCCA
2008 Board of Directors

PRESIDENT Mr. Steve Cotton, Vice President
National College
P.O. Box 6400
Roanoke, VA 24017

IMMEDIATE PAST

PRESIDENT Dr. Richard Shurtz, II, President
Stratford University
7777 Leesburg Pike, Suite 100S
Falls Church, VA 22043

VICE PRESIDENT Mr. Lauck Walton, Reg. Manager
Westwood College
7611 Little River Turnpike
Annandale, VA 22003

SECRETARY/

TREASURER Mr. David Murray, Director
ITT Technical Institute
863 Glenrock Rd.
Norfolk, VA 23502

DIRECTORS

Ms. Maxine Stine, Director of Ed.
RSHT
9325 C Midlothian Turnpike
Richmond, VA 23235

Mr. Mark Dreyfus, President
ECPI College of Technology
5555 Greenwich Rd. Suite 300
Virginia Beach, VA 23462

Ms. Beth Murphy, Director
Bryant & Stratton College
8141 Hull Street Rd.
Richmond, VA 23235

EXECUTIVE DIRECTOR

Mr. Mark Singer
1108 E. Main Street, Suite 1200
Richmond, VA 23219
804-346-2783
804-346-8287 (fax)
www.va-cca.org

VA DEPARTMENT OF TAXATION SURVEYS CAREER SCHOOLS

The Virginia Department of Taxation periodically surveys businesses by category to update their data base in order to be able to make somewhat accurate projections on future tax revenues. As a result of passage at the 2008 session of the Virginia General Assembly of legislation removing the requirement that students attending career colleges and schools pay sales tax on their purchases of textbooks, a survey was mandated so that the tax agency could adjust their income projections downward based on the projected loss of sales tax revenues from textbooks sales to career college students.

All career schools should have received the attached letter from the state Department of Taxation requesting data that will help the Department assess the revenue impact of the 2008 legislation. This data is to be kept confidential and aggregated so that only sector revenue data is presented for evaluation. There will be no information shared regarding any individual institution.

You are encouraged to assist in this effort by completing as much of the survey as possible. Estimates are acceptable if exact numbers are unavailable. Your responses will have no impact on the new exemption. That language has been signed into law.