PRESS RELEASE

"Increased Cohort Default Rate Definition Has Negative Implications"

(Mesa, Arizona – January 16, 2008) The recent amendment to H.R. 4137 offered by Mr. Grijalva of Arizona and Mr. Bishop of New York, commonly called the "Grijalva/Bishop Amendment", will increase the Cohort Default Rates (CDR) for all sectors of education. Hundreds of institutions may lose Title IV eligibility and at least 750,000 students may lose disbursement benefits.

On January 15, 2008, the U.S. Department of Education (Department) released data showing increases in default rates that would apply under the new definition. This is consistent with the data analysis completed by Champion College Solutions (Champion). Using this analysis, Champion's President and CEO, Mary Lyn Hammer, was able to help legislators understand the broader implications of the "Grijalva/Bishop Amendment."

Ms. Hammer's experience as a negotiator in the U.S. Department of Education's (Department) rewrite of Federal Regulations for Cohort Default Rates (CDR) gives her technical knowledge of the details that may not have been considered.

"There are two independent pieces of this legislation that will impact future default rates," she stated. "One is the change in Cohort Default Rate definition and the other is the student loan information access legislation."

Although the "Grijalva/Bishop Amendment" intended to change the CDR definition by adding one year to the existing 2 year definition; the current language defines a four (4) year measuring period. The Department is working with education committee staff to revise the language to be consistent with the intended three (3) year definition. Because this change may be considered substantive, it is unclear if it can be corrected in the committee report or will need an amendment passed during the floor markup.

The associations supporting the extended CDR definition (ACE Letter dated November 14, 2007) may not fully understand the long-term implications. "Participation Rate Index" exemptions have historically allowed many public institutions with low borrower counts to remain eligible for Federal Pell and Student Loans. This exemption does not apply to disbursement benefits for institutions with historical CDR's under 10% that will be over 10% under the new legislation.

When specifically asked why she was seeking repeal of the new CDR definition if the legislation would encourage growth in her own business, Ms. Hammer explained, "Because it is bad public policy. It will hurt low-income students and it will put many schools serving high-risk students out of business. These are the students and schools that I've served for 20 years and are the reason that I'm in business. These students are the reason the Higher Education Act was written in the first place."

The student loan information access language fills the largest communication gap there is between all of the parties to a student loan. Passage through both the House and Senate will insure that both the schools and their agents have timely and accurate information at no cost. While most FFELP companies currently provide this information, there are those who refuse cooperation and/or who have tried to charge significant fees for this information in the past. These costs would eventually be passed down to the students.

Congressional members and U.S. Department of Education officials have stepped in many times over the years to seek cooperation from the FFELP community. This same information is consistently provided by the Department for Federal Direct Loans.

In a time of increasing default rates and now a potential extended definition, there is an even greater need for legislation that insures accurate timely student loan information for default prevention benefits offered by schools that are responsible for their default rates.

“We specialize in low-income, high-risk borrowers,” Ms. Hammer stated. “They are not bad people - just ones who need a little more help understanding their obligations, benefits, and the consequences of student loan defaults. Since we don’t collect any money, the students have positive reactions to this school-provided benefit.”

Differences between the Department of Education and Champion data for proprietary schools show that the borrower education received by Champion clients has long-term positive implications for the borrowers. The Department’s 3-year projection showed a 94% increase, while Champion clients show an 81% increase. The Department’s 4-year projection showed a 170% increase while Champion clients show a 150% increase. This is a very strong indicator of why the student loan information access legislative language is so important to schools, students, and, ultimately, to taxpayers.

“Our goal is to improve financial literacy to students who have had no experience in this area so that they can become financially stable throughout their lives,” she stated. “These people are following a dream for something they are passionate about. The schools that contract these services from professional default prevention companies like Champion College Solutions really care about the students’ successes.”

Contact Information:
Sandy Watt, Executive Assistant to CEO
Champion College Solutions, LLC
Sandy.Watt@ChampionCollegeSolutions.com
(480)947-7375

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