



## NATIONAL DIRECT STUDENT LOAN COALITION

For Immediate Release:  
May 25, 2011

Contact: Nancy Hoover 740-587-6279  
Margaret Rodriguez 734-763-4119

### **National Direct Student Loan Coalition Supports Senator Brown's Effort to Simplify the Student Loan Repayment Process**

“The Coalition appreciates Senator Brown’s initiative to help student borrowers with his introduction of the Student Loan Simplification and Opportunity Act of 2011,” states Nancy Hoover, Chair of the National Direct Student Loan Coalition, in reaction to the announcement that U.S. Sen. Sherrod Brown (D-OH) will introduce legislation to simplify the student loan repayment process. Hoover, a practicing financial aid professional for 25 years, joined Brown on a conference call today to discuss the legislation and how it will benefit students.

While the transition to the Direct Loan program from the Family Federal Education Loan (FFEL) program over the past year has been successful, more than six million borrowers are currently lodged between these two student loan programs. This requires borrowers to make at least two payments to at least two servicers, which leads to confusion and a reduction in repayment rates. Senator Brown’s bill would give borrowers with both FFEL debt and Direct Loan debt the option to convert their FFEL loans to Direct Loans during a nine-month period. While conversion is not mandatory and students would not be required to consolidate their loans, those who do choose to make the conversion would receive up to 2 percent off the principal of their FFEL loan.

According to the Congressional Budget Office (CBO), the Senator’s legislation would lead to \$1.8 billion in savings over 10 years by eliminating federal subsidies for FFEL lenders. The \$1.8 billion in savings will be reinvested into the Pell Grant program, which is currently facing an \$11.2 billion funding gap for 2012. The Federal Pell Grant Program provides need-based grants to low-income undergraduate and certain post baccalaureate students to promote access to higher education.

The Student Loan Simplification and Opportunity Act of 2011 will benefit students by increasing transparency and simplifying the repayment process. Prior to this year, all Direct Loans were serviced by the same servicer. This legislation will help to ensure that students will be less likely to default on any of their loans because they will only have to make a payment to one servicer. In addition, the legislation will allow students to benefit from some of the loan forgiveness options available in the Direct Loan program and enables students to have another type of loan repayment option - Income Contingent- that has proven to be more beneficial than Income Based repayment for some borrowers.

*The National Direct Student Loan Coalition is an alliance of schools dedicated to the continuous improvement and strengthening of the federal Direct Loan program. Coalition members are practicing financial aid professionals. For more information regarding the National Direct Student Loan Coalition, please see [www.directstudentloancoalition.org](http://www.directstudentloancoalition.org).*



# NATIONAL DIRECT STUDENT LOAN COALITION

*Written Statement of  
Nancy Hoover & Chuck Knepfle*

ON BEHALF OF THE  
National Direct Student Loan Coalition (NDSLC)

## PUBLIC HEARING ON The Department of Education's Negotiated Rulemaking

**Loyola University**  
CHICAGO, ILLINOIS  
May 19, 2011

**The College of Charleston**  
CHARLESTON, SOUTH CAROLINA  
May 26, 2011

The mission of the National Direct Student Loan Coalition is to promote the success of the Federal Direct Student Loan Program in serving the interests of students, families, taxpayers and institutions.

### EXECUTIVE COUNCIL

**Nancy Hoover**, Chair  
*Denison University*

**Margaret Rodriguez**, Chair Elect  
*University of Michigan*

**Roberta Johnson**, Past Chair  
*Iowa State University*

**Tom Butts**  
Advisor

**Dan Davenport**  
*University of Idaho*

**Suzanne Day**  
*Harvard University*

**Janice Dorian**  
*Mansfield Beauty Schools*

**Peg Julius**  
*Kirkwood Community College*

**Chuck Knepfle**  
*Miami University*

**S. Kay Lewis**  
*University of Washington*

**Craig Munier**  
*University of Nebraska  
Lincoln*

**Eileen O'Leary**  
*Stonehill College*

**Jean Rash**  
*Rutgers University*

**Cheryl Resh**  
*University of California  
Berkeley*

**Kristine Wright**  
*University of Minnesota  
Twin Cities*

**I speak to you today on behalf of the National Direct Student Loan Coalition (NDSLCL), a grass roots organization comprised of schools dedicated to the continuous improvement and strengthening of the Direct Loan program. Its members are practicing financial aid professionals working at participating institutions.**

**I would like to thank the Secretary for the opportunity to provide the Department of Education with comments on federal student loan programs that may be addressed in the negotiated rulemaking process later this year.**

**First and foremost, the Coalition wants to extend its thanks and congratulations to the staff at the Department of Education, and especially at Federal Student Aid, for the tremendous success in moving all 5000+ schools to the Direct Lending program. While some in our industry predicted that this was an impossible task, the fact is that there has not been a report of even one student who was denied access to Stafford Loan funds this year as a result of schools making the transition to Direct Lending. This transition could not have been more successful for schools or students.**

**To ensure that the Federal Direct Student Loan program continues to be a strong and viable source of loan funding for students, I wish to address regulatory issues in four (4) areas:**

#### **SIMPLIFICATION OF ORIGINATION REGULATIONS**

**THE HEALTH CARE & EDUCATION AFFORDABILITY RECONCILIATION ACT OF 2010 (H.R. 4872) requires that all new federal loans, beginning with the 2010-11 academic year, be originated in the Direct Loan program. The Direct Loan regulations continue to cross reference regulations with the Federal Family Education Loan (FFEL) Program which Congress ended with H.R. 4872. With so many new administrators in the Direct Loan program needing quick, easy-to-read regulatory language to ensure compliance with the origination regulations for Direct Loans, it is important to simplify the federal loan regulations by negotiating a clear, concise, stand alone set of Direct Loan regulations that eliminate any cross references to the FFEL program.**

#### **SERVICING**

**One of the trademarks, and richest features of Direct Lending prior to this year, was that all Direct Loans were serviced by the same servicer. Every Direct Loan borrower and school staff member knew exactly where a student's loan was held, and knew who to call with questions. The NDSLCL recognizes that the Department of Education now uses multiple contractors for the servicing of federal student loans but we encourage new regulatory language to address the following issues that are inherent when multiple servicers compete for servicing contracts:**

- **A single interface between students and schools and all servicers to avoid the confusion that now occurs when schools attempt to counsel students with loans held by**

multiple servicers.

- **Transparency to borrowers and their families about the contractor that is servicing their loans in repayment**
- **The Department's vigilance in monitoring the servicing contracts to ensure accurate data is provided by the servicer to the Department for the calculation of the cohort default rates**
- **Loan terms that are consistent for all borrowers, regardless of their Servicer. Currently, issues like capitalization of interest for borrowers and the date Income Based Repayment is calculated are not always the same with different servicers. Terms need to be consistent with the historical Direct Loan methodology which is most favorable to borrowers.**
- **Exit counseling requirements that ensure the providing of helpful information about consolidation options that benefit borrowers with multiple loan types.**

Further, we urge the Department to retain the role of assigning students to servicers. A topic we've heard on more than one occasion is that there could be a change that would allow either students or schools to choose their servicer. Even though the current servicers do not profit in nearly the same way as lenders did under the FFEL program, there would still be a financial incentive to encourage schools to recommend an individual servicer. This would inevitably lead to a situation that we finally left behind: inducements and incentives to steer loan volume to particular companies. The Department is the only entity that should be making those servicer assignments.

### **TOTAL AND PERMANENT DISABILITY**

The Coalition requests that the Department of Education negotiate rules with a final result that is fair to both permanently disabled borrowers and federal taxpayers. Currently students are required to submit multiple applications for loan discharge, and are monitored for up to three years after being granted the permanent disabled status. We encourage the Department to develop a less intrusive and simplified process that retains the integrity of the current one.

### **OPERATIONS**

Regulations for the Direct Loan program encompass both the policy and operational aspects of the program. With all federal loans and grants processed through one system, the Common Origination and Disbursement System (COD), student aid processing and delivery is now focused on the student, rather than on each individual aid program. It is absolutely critical that the Department ensure that regulations address the need for a system concept like COD. Any solution that does not retain the ease of use and understanding of our current COD process will

set students and schools back significantly. This standardization of the common record file formatting in such a system is essential for the following reasons:

- **Standardization of the common record format streamlines student eligibility changes for funds and ensures students receive their funds on time.**
- **Standardization of the common record format simplifies and enables quick programming that is required by software vendors to deliver funds for new programs that Congress develops.**
- **For each program in COD, a school or Third Party Servicer is assigned the same Customer Service Representative (CSR) team to facilitate origination and disbursement processing and issue resolution thus providing more time for financial aid professionals to counsel students about all aspects of their financial aid.**
- **Before COD, schools did not have any on-line capability (24/7) to make corrections/changes, process “emergency” requests, and check processing status to help resolve issues for students quicker and to get their aid disbursed immediately.**
- **The COD system provides accountability because funding for all programs is processed through one system: G5.**
- **Monthly and annual reconciliation processes decrease fraud and abuse by ensuring that all funds are accounted for on a timely basis.**
- **Every disbursement record for a student’s funds is recorded in the system to ensure accountability for the individual student’s records**
- **The COD system now contains information about the servicer to which students’ loans have been assigned.**
- **Over multiple academic years and institutional enrollments, a student’s record remains in a single record within COD, to ensure greater ease in schools’ compliance with federal regulations.**

**In closing, I would like to thank you again for the opportunity to present this testimony on behalf of the National Direct Student Loan Coalition. Many of our members were the first schools to implement the Direct Loan program over 15 years ago and have years of expertise in operational and policy issues as well as compliance with the regulations for the program. The Coalition looks forward to participating in the negotiated rulemaking process that will occur late in 2011.**



## NATIONAL DIRECT STUDENT LOAN COALITION

For Immediate Release:  
July 25, 2011

Contact: Margaret Rodriguez 734-763-4119  
Chuck Knepfle 864-656-3431

### **National Direct Student Loan Coalition Urges Congress to Protect Pell Grants for Needy Students**

The National Direct Student Loan Coalition (NDSLCLG) would like to join our nation's students, schools, and financial aid administrators in recognizing and supporting Save Pell Day. With almost ten million low-income students benefitting from this critical federal grant, it is the backbone of the federal financial aid programs.

“While we understand tough choices have to be made on the federal budget, we should not be taking Pell Grants away from America's neediest students,” says Margaret Rodriguez, NDSLCLG's Chair and Senior Associate Director of Financial Aid at the University of Michigan. “The Pell Grant Program continues to be the cornerstone of the federal student aid programs and we need to make sure that we protect Pell Grants so all students have access to college.”

Just over a year ago, Congress took the necessary step to moving all student loans to the federally-run Direct Loan program. Schools have worked tirelessly over that time to implement these necessary changes and save taxpayers billions of dollars. According to the enacted legislation, these savings were to be directed into the Pell Grant Program to fund long-lasting increases for the neediest college students. To cut the same program now would be contrary to both the spirit and the letter of this very important legislation.

“Last year Congress made the right decision to invest the savings of moving all schools to direct lending into the Pell Grant Program,” states Rodriguez. “It was the right decision for America's students and parents and the right decision for our economy. We hope that Congress will continue to protect Pell Grants and realize it is not right to balance the budget on the backs of America's most vulnerable students.”

*The National Direct Student Loan Coalition is an alliance of schools dedicated to the continuous improvement and strengthening of the federal Direct Loan program. Coalition members are practicing financial aid professionals. For more information regarding the National Direct Student Loan Coalition, please see [www.directstudentloancoalition.org](http://www.directstudentloancoalition.org).*



## NATIONAL DIRECT STUDENT LOAN COALITION

For Immediate Release:  
September 28, 2010

Contact: Nancy Hoover 740-587-6279  
Roberta Johnson 515-294-0109

"The National Direct Student Loan Coalition applauds the U.S. Department of Education in successfully transitioning all postsecondary schools into the Federal Direct (DL) Student Loan Program for the 2010-2011 academic year," states Nancy Hoover, Chair of the National Direct Student Loan Coalition. "As of September 16, the Department reports that 4,880 or 96% of 5106 domestic schools have successfully originated loans. In addition; all remaining eligible schools who intend to participate are now in transition," Ms. Hoover affirms.

By moving all student lending to DL, President Obama used the budgetary savings that resulted to increase funding for the Pell Grant Program.

Conversion to direct lending as the single source of federal loans has proven straightforward. The transition experience for schools has been successful, states Hoover, because of the assistance provided by the U.S. Department of Education and the mentoring offered by the National Direct Student Loan Coalition.

Valencia Community College made the switch to direct lending for the 2009-2010 academic year. "Students, parents, and staff appreciate the ease of the new process and guarantee of funding," states Bradley Honious, director of financial aid for the Valencia Community College District in Orlando, Florida. "Changing to Direct Lending has not added to our staffing and has simply made the entire process much better. We have processed over \$50 million without a hitch and are happy we have made the switch for everyone involved – especially student borrowers."

Walter O'Neill, assistant vice president for financial aid at Roosevelt University in Chicago was skeptical of transition success. However, Mr. O'Neill has become a strong supporter of DL as his school moved to direct lending in only three months last spring. "Our experience has been and continues to be absolutely phenomenal,"

The National Direct Student Loan Coalition looks forward to supporting the Administration to ensure that all schools successfully transition into the Federal Direct Student Loan Program.

*The National Direct Student Loan Coalition (NDSL) is comprised of schools dedicated to continuous improvement and strengthening of the Direct Loan program. Its grass-roots members are financial aid professionals working at participating institutions. For more information regarding the National Direct Student Loan Coalition and their mentoring program, please see [www.directstudentloancoalition.org](http://www.directstudentloancoalition.org).*