

WRITTEN STATEMENT OF
Nancy Hoover

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

BEFORE THE
House Subcommittee on Higher Education and Workforce Training

HEARING ON
“Government-Run Student Loans: Ensuring the Direct Loan Program is Accountable to Students and Taxpayers”

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Chairwoman Foxx, Senior Democratic Member Hinojosa and Members of the Subcommittee, thank you for the opportunity to be a witness for this important hearing on federal student loans.

My name is Nancy Hoover and I am the immediate Past Chair of the National Direct Student Loan Coalition (NDSLCL). I am the Director of Financial Aid at Denison University in Granville, Ohio. Denison University is a selective, independent, residential, undergraduate liberal arts college with an enrollment of almost 2200 students. Prior to becoming the Director of Financial Aid at Denison in 1994, I was an aid administrator at two other nationally known private universities where I administered the loan processing in the Federal Family Education Loan Program. Denison University implemented the Federal Direct Loan Program as a Year Two school in 1995.

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 volunteers who are practicing financial aid professionals working in participating institutions.

The Coalition would like to extend its thanks and congratulations to the staff at the Department of Education, and especially at Federal Student Aid for the tremendously successful transition of all schools into the Federal Direct Loan program. The Department’s staff was proactive in ideas for a successful transition and worked tirelessly to ensure schools could implement the new loan program with minimal interruption to their financial aid production.

Over the past several years, the National Direct Student Loan Coalition has played a significant role in the successful transition of thousands of schools into the Federal Direct Loan program by establishing a mentoring program of financial aid administrators who were working at direct loan schools. These financial aid professionals were willing to volunteer their time and expertise to help other schools that were making the transition to Direct Lending. The mentors represented schools from every sector with different enrollment sizes and different software platforms used to process loans. The number of mentors increased as a result of financial aid administrators having a good transition experience and subsequently volunteering to become mentors. The Coalition mentoring program assisted over 1,000 schools and at no cost to any of these schools and it built on existing collegiality in our profession.

The Coalition also monitored several professional list serves for any discussions by schools about processing issues that were related to the transition to Direct Lending. The Coalition partnered with the staff members in the Office of Federal Student Aid to mentor any school that needed extra assistance. While some in our industry predicted that the 100% transition to Direct Lending was an impossible task, the partnership of financial aid administrators and the Department of Education resulted in a very successful outcome. To date, I do not recall that there was a single instance in which students did not receive their Stafford Loan funds during and after the transition. This transition of all schools to the Federal Direct Student Loan program could not have been more successful for students, schools, or taxpayers.

Benefits to Students and Families:

- Generates savings that support increases in the maximum Federal Pell Grant
- Simplifies the federal loan application process by imbedding it in the application for federal aid
- Assures the availability of capital for educational loans
- Provides repayment options for borrowers that can prevent defaults

Accountability to Students:

- Eliminates excessive and expensive lender marketing about “borrower benefits” that are not included in the promissory note and thus not guaranteed
- Every disbursement record for student loans is recorded in the federal Common Origination and Disbursement System to ensure accountability for the individual student’s records

Benefits to Schools:

With all federal loans and grants processed through one system, the Common Origination and Disbursement (COD) system, student aid processing and delivery is now focused on the student, rather than on each individual program. Schools that were already processing other federal grant programs in this system did not have to buy additional software and hardware to change their loan delivery system from FFEL to DL.

- The Common Origination and Disbursement system streamlines the loan delivery system so that financial aid staff has more time to counsel students and parents.
- The Direct Loan program simplifies student loan administration processes and improves institutional efficiency and accountability.

- Monthly and annual reconciliation processes that require a school to account for funds to the penny minimize the possibility of fraud and abuse that became possible in the bank based system.
- The standardization of the common record format in the Common Origination and Disbursement system simplifies and enables quick programming that is required by software vendors to deliver funds for new programs that Congress develops.
- The Common Origination and Disbursement system provides accountability because funding for all programs is processed through one system—the Department of Education’s Grant Management System (G5).
- The Common Origination and Disbursement system now contains information about the servicer to which students’ loans have been assigned. This information is crucial now that the loans made by a school can be assigned to multiple servicers.

In closing, the accountability that is inherent in the Direct Loan program provides benefits to the taxpayers:

- Required reconciliation by schools of the loan funds to the penny for each fiscal year ensures accountability of taxpayers’ funds.
- The elimination of subsidies to private lenders saves taxpayers billions of dollars and helps support financial aid programs without additional costs.

There are those who continue to argue that the transition of all schools to the Federal Direct Loan program is just another government controlled program. It should be very clear that the Federal Family Education Loan (FFEL) program has always been a federal loan program since its beginning. The costs of both programs have always been borne by the taxpayers. Instead of the government paying dollars to lenders to make the loans, the government is spending some of these dollars on students to improve the aid programs that provide them access to college.

To summarize the experiences that I had as a mentor to over 100 schools, I would like to give a quote from a colleague that I personally mentored when he had to transition to DL in July of 2009 after two lenders called him and told him they would not be able to process his students’ loans for that fall semester. His comments are similar to hundreds that the Coalition heard as we helped schools make the transition.

“Things are going well for us and Direct Loans. I had to make some changes to a FFELP loan the other day and decided I was glad we went Direct. I am saddened by my years of resistance to DL.”

Chairwoman Foxx, thank you again for the opportunity to appear before you and your committee today to provide the National Direct Student Loan Coalition’s perspective on the successful transition by all schools to Direct Lending. I would be happy to respond to any questions you or the Members of the Subcommittee might have.