My colleagues and I are available to answer any particular questions you might have about the meeting. Please feel free to call me at (202) 456-2857.

Again, thank you for your interest. We look forward to seeing you on October 5.

Sincerely,

Janet B. Abrams
Domestic Policy Council Staff

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THE WHITE HOUSE

WASHINGTON

November 2, 1995

The Honorable Richard W. Riley
Secretary of Education
Washington, D.C. 20202

Dear Secretary Riley:

As the Congress moves to Conference on reconciliation, I wanted to reaffirm to you my position on Direct Lending.

I strongly oppose the Congressional majority's efforts to eliminate or cap the Direct Lending program.

Our goal should be to do everything in our power to promote opportunity for all Americans by making it more feasible for more families and students to realize the dream of a college education.

Direct Lending works to promote the goal of opportunity. This program is already saving taxpayers billions of dollars, while getting college students their funds faster, with less government red tape, better services, and less administrative costs for colleges and universities. By allowing students to pay back their loans as a small percentage of income over time, the Direct Lending program also allows students to choose the occupation of their choice and improves their ability to repay the money they borrow and cut the default rate.

Those who propose to end Direct Lending are putting the interests of middlemen and special interests above the interests of students. The best solution to the current dispute is for us in Washington to give schools across the nation the freedom to choose the student lending program that works best for them. We should let the market work by letting the consumer decide.

Every school should have the option to join Direct Lending. Let's not take that choice away by Congressional mandate. So let me be clear to Congress: do not send me a bill that limits the ability of schools to choose whether to be in Direct Lending.

Sincerely,

Bill Clinton

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

October 18, 1995 Galston fyi

MEMORANDUM

TO: Don Baer
Gene Sperling
Paul Dimond
Jeremy Ben-Ami
Kitty Higgins

FROM: Frank S. Holleman III FSH
Chief of Staff

SUBJECT: Articles on direct lending

Attached is a Rolling Stone article on college costs; note particularly a very favorable two-page segment on direct lending and guaranty agency abuses. Also attached are two favorable articles, one from Tulsa World and another from the Fort Worth Star-Telegram, and an article from American Banker in which student groups attack Citibank on direct lending.

Attachments

BUYER EDUCATION

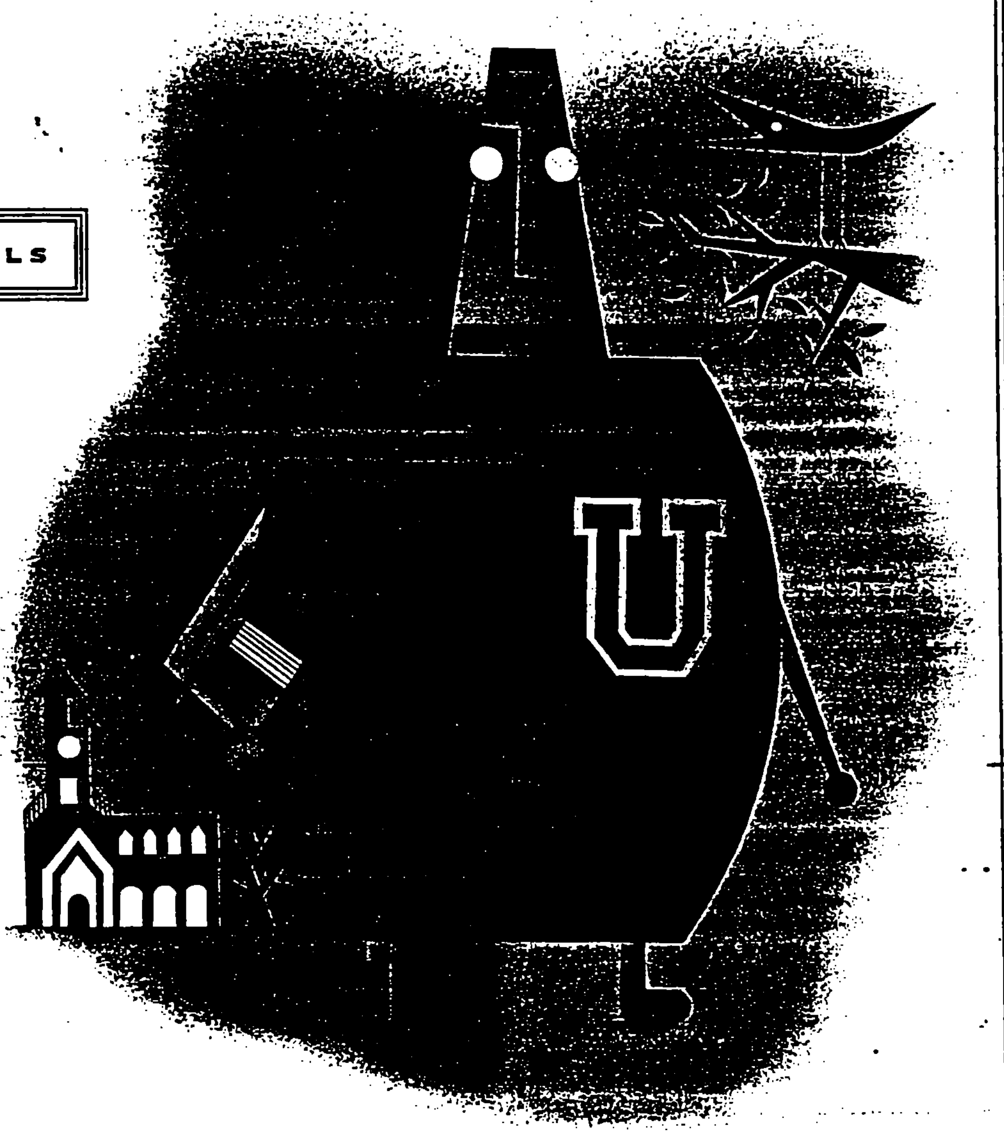
The Big Squeeze

Tuition is up, salaries are down, and the government couldn't care less

BY DAVID SAMUELS

THIS WAS America's deal with me," writes syndicated columnist Richard Reeves. "If I kept my nose clean and paid attention in school, I could go to college, even if I had to work in the summers and part time during the school year." To pay for his tuition – $800 a year in the late 1950s – Reeves worked "as a lifeguard at the Jersey shore and teaching swimming at camps."

Like Reeves, Rochal Sykes, a University of Virginia undergrad, works part time during the school year, putting in 20 hours a week as a manager at the box office for campus events. But these days that's not enough. Sykes is taking this semester off; she's working full time, trying to raise money to return for the spring semester. She will also be applying for a government loan, "as big as I can get," to pay for books, electricity, telephone and food. She counts herself lucky. "I know a lot of people



ILLUSTRATIONS BY TERRY ALLEN

who are really she says. "My roommate took out all four she also worked two jobs. She worked from 7 to 12, went to class, and then worked again from 9 to 12 at night. When I was getting up in the morning, she was already going out to work."

If a college degree is still a ticket to the American dream, the cost of that ticket continues to rise at more than twice the rate of inflation. Today's college students work harder for their degrees than their parents did. According to the U.S. Bureau of Labor Statistics, the average full-time college student works 25 hours a week to pay for tuition, room and board, which, at Reeves' alma mater, the Stevens Institute of Technology, now exceeds $22,000 a year. Working a $7-an-hour work-study job 25 hours a week during the school year and a full-time job during the summer, it would take a young, aspiring Richard Reeves more than 10 years to pay for his B.A. alone.

> **LAST YEAR'S FRESHMAN CLASS WILL, ON AVERAGE, LEAVE COLLEGE $13,600 IN DEBT, 30 PERCENT HIGHER THAN THE SENIORS THEY REPLACED.**

And that's only the beginning of the bad news for college students and their parents this year: The loans that students are taking out in record numbers to pay for college are getting harder and harder to pay back as the real incomes of college graduates decline. The new direct-student-loan program, which introduced a welcome flexibility to the loan-repayment process, may not survive renewed attacks by right-wing Republican partisans in Congress this fall. (See "Student Loans: The Price of Politics," Page 124.) And if all this bad news seems like a good reason to forget about college altogether, think again: The incomes of high school graduates are falling even faster.

No wonder then that students are taking out loans like high-stakes gamblers on a losing streak that never seems to end. Last year's freshman class will, on average, leave college $13,600 in debt, 30 percent higher than the graduating seniors they replaced. According to a recent study by Fred J. Galloway and Terry Hartle of the American Council on Education, last year's rise in student borrowing was even more dramatic than reporters, administrators and politicians had recognized. "Increases in student borrowing reported over the past year are far greater than any previous year's increases," Galloway and Hartle report, pointing to rates of growth ranging from 10 percent in the popular Stafford Loans to upward of 40 percent in smaller loan programs. As loan burdens increase, the ability of students to pay back their borrowed dollars has declined: In the last five years alone the real income of college graduates has shrunk by 2.6 percent.

The rise in student indebtedness may be having effects beyond the pocketbooks of students and their parents. Behind the increasingly money-conscious career choices of college graduates since the '70s, Illinois senator Paul Simon believes, are the stacks of IOU's that students are handing over to their bankers. "You don't have to have great imagination to understand that if you become a lawyer, you're going to be able to pay that loan back much more rapidly," says Simon. "We need teachers, we social w we people who are just at how they can get a profession that allows them to pay back their loans." For Simon and other skills-training advocates like Labor Secretary Robert Reich, helping students pay for higher education is a direct investment in the future strength of the American economy; the dollars spent on students today will show up in the balance sheets of American companies tomorrow.

American companies – and their conservative Republican tribunes in Congress – take a less generous view of the matter. Paying for college, they believe, is the responsibility of the individual – not the government. "I was talking to a group recently at a college," says Rep. William Goodling, R-Pa., "and a little girl said, 'Well, don't they realize we're going to be the doctors and the lawyers of the future?' And I said, 'Well, put yourself in their shoes. If they're making seven bucks an hour, are they really thinking a great deal about whether you're going to become a doctor or a lawyer or an Indian chief?' " As for the soaring tuition bills that are rapidly putting the cost of college well beyond the means of many working families, Goodling – like many of his Republican colleagues – wonders whether federal loan dollars are not at the root of the problem: "I can't imagine some of the colleges and universities in my district charging $25,000 a year – that's utterly ridiculous. And I worry that the more federal money you put out there, the more opportunity they will have to charge more and more." Others – like Secretary of Education Richard Riley – see such explanations as simplistic at best. "There are a lot of things that cause tuition to go up," says Riley, "but you can't just do away with a method that allows working families to send their kids to college."

The current debate over the government's role in funding higher education may mark the end of an extraordinary half-century during which more Americans were educated at a higher level than ever before in our history. Before World War II, only 1 in 10 Americans could afford college. Those who did go, says Columbia University historian Alan Brinkley, were "mostly members of elites – people who went to private schools, whose parents had also been to college." Today, more than half of all Americans receive some form of higher education. The 1 million bachelor's degrees and 1 million professional degrees that American colleges and universities grant each year are in part the legacy of the Serviceman's Readjustment Act of 1944 – the GI Bill – whose 50th anniversary last year was overlooked in the more public commemorations of D-Day and Woodstock. Sen. Joel B. Clark, introducing the GI Bill in the Senate, pronounced it "one of the most important measures that has ever come before the Congress" and predicted that "we will have a country to live in than the has yet " Clark was right. The GI paid returning veterans an allowance of $50 a month plus up to $500 a year for tuition and books: At a cost of $5.5 billion, the program educated 450,000 engineers, 238,000 teachers, 67,000 doctors and hundreds of thousands of others who would man the engines of the economic boom that made postwar America the envy of the world.

Among those educated through the GI Bill was Claiborne Pell. "It was really a tremendous step forward," Pell says in his slow Rhode Island drawl, "and I think it accounted for the wealth and the strength of our nation in the years that followed World War II." Pell's experience with the GI Bill made him a lifelong supporter of higher education and led him to the 1973 legislation that created the federal grant program for lower-income families that now bears his name: the Pell Grant. "I saw what the GI Bill had for our country," says Pell, "and I saw that those things still needed to be done. To have an educated citizenry is to have a stronger country, and so it is to our own benefit as a nation to have all of our citizens with high school and college behind them." Yet in the since the Pell Grants were established, their value has slid by more than 30 percent; more than half that decrease came in the 1980s. A GI Bill scholarship in constant dollars would be worth $9,400 – six the average Pell Grant today. While President Clinton has proposed expanding the Pell Grant program beefing up grants made to students, Congressional Republicans are talking about narrowing eligibility, a move that may eliminate assistance to 200,000 and working-class families.

The biggest threat to educational opportunity in America may not come from Congress, however, from the colleges and universities themselves. In the '80s, the sticker price of a year of college rose at an annual rate of close to 9 percent, or more than twice the rate of inflation. As the flow of federal dollars to higher education has narrowed, state governments have been cutting back on their subsidies to their colleges and universities, causing huge increases in tuitions. At Massachusetts state universities, tuitions rose by 110 in the last five In California, tuitions rose by 75 percent in the years alone. Those who aspire to the heights of private higher education – at a current price tag of close to $30 a – can expect to pay even more for the lege in the f According to Kalman Chaney, author of the ever-popular *Student Access Guide to Paying for College*, a child born today will pay $360,000 for an Ivy League degree.

SEN. CLAIBORNE PELL, A GI BILL SUCCESS STORY, IS DEFENDING EQUAL ACCESS TO COLLEGE.

Where does all the money go? "Universities make a profit on people who pay full tuition," says Brinkley. "People who can afford to pay full tuition subsidizing those who can't." The wholesale movement of professors out of the classroom and into research laboratories, Brinkley says, is also responsible for much of the

DAVID SAMUELS *lives in New York. This is his first piece for* ROLLING STONE.

rise in tuitions. When college only $500 a professors taught an of five classes a semester; today's professors teach two or three classes at most. Yet if teaching loads are down, professors of engineering, chemistry and medicine are working harder than ever before, using their laboratories to churn out basic and applied research for American corporations. Which means that students' tuition dollars – and the federal loan programs that often supply them – are, in effect, subsidizing laboratories and researchers that corporations would otherwise have to pay for themselves. "The real costs," Brinkley says, "come from supporting scientific and medical research, and a lot of that is being covered by the universities."

If the corporations get subsidized research, students take for granted a dizzying variety of services that have transformed American universities from small-town assemblies of classrooms, libraries and dorms to vast, sprawling cities. Universities now provide their inhabitants with food, security, psychiatric and health care, sports facilities and entertainment. "The only way out," Columbia University emeritus professor Jacques Barzun recently told the *New York Times*, "is to strip these institutions down to their basics – students, teachers and blackboards."

In search of a way to control their costs, some colleges are doing just that. Syracuse University recently trimmed nearly 100 faculty members from its payroll, and Bennington College fired 25 faculty members and ended on-campus instruction in foreign languages. Another obvious target is the bloated administrative staffs at many schools: In 1950, public universities spent 27 cents on administration for every dollar they spent on instruction; by 1988 they were spending 45 cents.

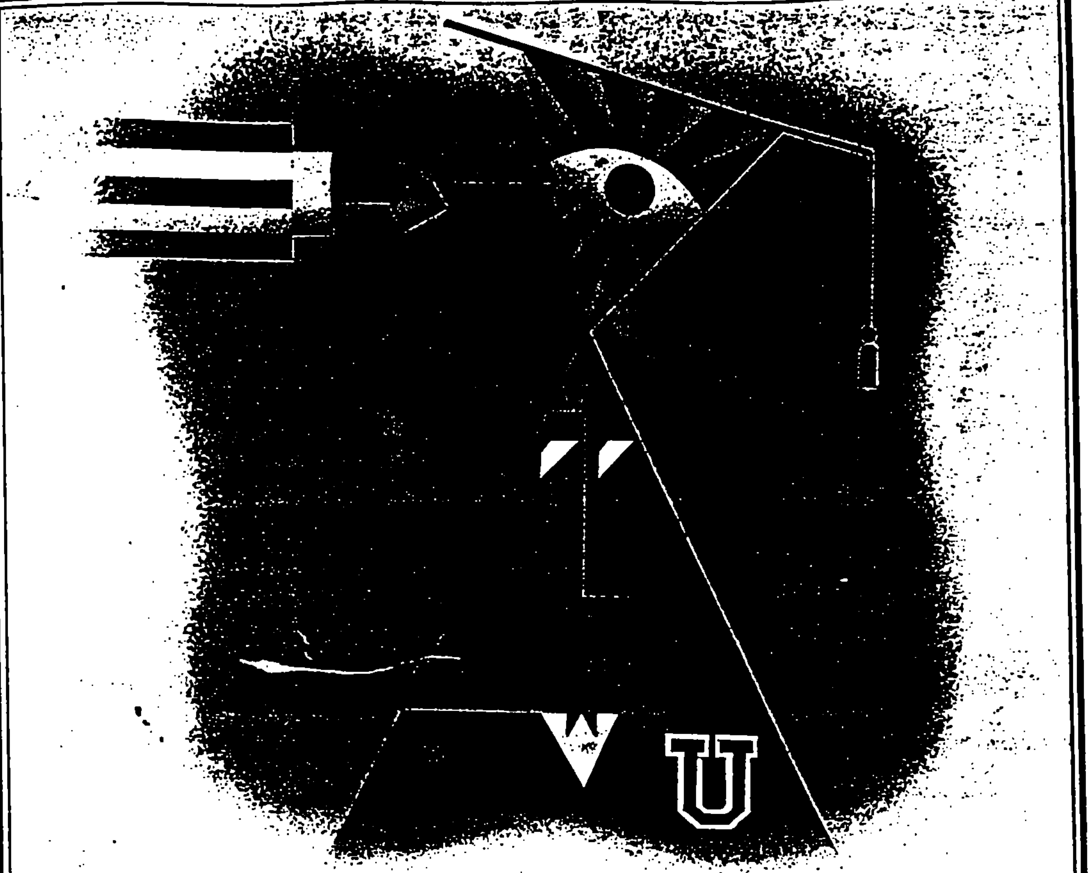
There is also evidence that prices may come down – or at least stop rising – under the sheer weight of two decades' worth of tuition increases. At the University of Rochester, which charges $25,000 for tuition, room and board, 70 percent of the students were on some form of financial aid. Because only 30 percent of Rochester students could afford full tuition, administrators calculated, the university was taking in less money than it would if its tuition were lower. When Rochester cut its tuition, applica-

PERHAPS MORE THAN AT ANY TIME SINCE THE END OF WORLD WAR II, WEALTH DETERMINES IF YOU'LL GO TO COLLEGE.

jumped. "I'm a lot of colleges universities are watching to see what their experience will be," said Mary Jo Mayhew, treasurer of Mount Holyoke College, when the price cuts were announced. "We certainly are."

With fewer students able to pay full price, guidance counselors regularly advise students to shop around, compare and bargain, as if they were in the market for a new home or car. More than half the students at private colleges in New York state, according to one recent survey, pay less than list price. NYU Law School gives free tuition to students who forswear the lucrative world of corporate law for low-paying public-service jobs; Harvard, Tulane and UCLA law schools offer similar, if less generous, programs. And if you look hard enough, it's even possible to go to college free of charge. The 1,500 undergraduates at the College of the Ozarks, in Missouri, one of the top liberal-arts colleges in the Midwest according to *US News and World Report*, pay nothing at all in exchange for working on campus 15 hours a week and 40 hours a week during the summer.

If there are points of light in the university firmament, the outlook for educational opportunity in America is still bleak. Today, perhaps more than at any time since the end of World War II, your chances of going to college depend on how much money your parents make. Those whose family earnings are in the bottom 25 percent are only one-tenth as likely to attain a B.A. by the age of 24 as their well-born peers in the top 25 percent. A recent UCLA study, reported the *Washington Monthly*, found that the median parental income of college freshmen rose more than twice as fast in the 1980s as the median income of all families with children, "a clear sign," the *Monthly* commented, "that students from less-affluent families were again getting shut out of higher education." With college graduates earning almost twice the income of those with only high school degrees, we are fast retreating from the American ideal of educational opportunity toward a system that would have made our forefathers wince: The rich are getting richer, and the children of poor and working-class families are being denied an equal shot at the middle-class comforts so many Americans once took for granted.



STUDENT LOANS

The Price of Politics

"IT WAS a nightmare," says Karen Fooks, director of financial aid at the University of Florida, recalling the bad old days of guaranteed student loans. "We have about 35,000 students, who come from all over the country, and so every time a student came in to find out what was going on with his loan, it became a game of hide-and-seek: Was it a student problem, a bank problem, a guarantee-agency problem? Nobody knew." With 8,000 banks making loans and 38 guarantee agencies backing the loans with support from the government, Fooks' confusion is understandable. "At the beginning of the year," says Susan O'Flaherty, acting director of financial aid at the University of Colorado at Boulder, "we ran a phone bank with six or seven full-time people. And 70 to 80 percent of the calls that came in had something to do with student loans."

Vanishing checks and bureaucratic red tape, however, are only bad memories now at Florida, CU-Boulder and more than 100 other schools nationwide, where last year the federal direct-lending program replaced multiple applications, banks and guarantors with a single application and a single lender: the federal government. This fall, direct lending is debuting on an additional 1,400 campuses nationwide and will cover close to 40 percent of all student loans. What should students expect from the new direct-loan system? "We can answer students' questions," O'Flaherty says. "And our counseling staff was like 'Wow! We're not spending all our time chasing paper. We're actually talking to students.' " Karen Fooks is more enthusiastic still. "Students understand it; we understand it; the money comes in faster," she says. "We think we died and went to heaven." Students have even more reason to like direct lending: They can pay back their loans over 25 years as a percentage of income – between 3 percent and 15 percent, depending on their salary and number of children.

If direct lending is a success on campus, however, a very different story is now unfolding in Washington, where Congressional Republicans are threatening this fall to use the budget-reconciliation process to kill what one Colorado State University student called "the best thing since microwaveable brownies." What is odd here is that direct lending is as much the brainchild of Republicans as of Democrats: I lending was proposed – and a pilot program implemented – by George Bush's Department of Education; Rep. Tom Petri, R-Wis., has long been direct lending's leading advocate in the House. With the Republican Congress having promised to balance the federal budget, direct lending should be appealing than ever: Slashing federal subsidies to banks and guarantors will save taxpayers as much as $12 billion during the next five years.

Why are Republicans turning against a program they sponsored? One explanation may be what Sen. Paul Simon calls "pure commercial politics": What students and taxpayers gain under lending, banks and guarantee agencies will lose. Short of high-interest credit cards, guaranteed student loans are the most profitable loans a bank can make, miles ahead of auto loans and home gages. The "guarantee" in teed student loan means that it is impossible for the banks to lose money: 98 to 100 percent of every loan is guaranteed by the government, along with a built-in profit of 3.1 percent above the prime lending rate, plus fees and bonuses. The subsidies paid out to guarantee agencies alone – including the interest on $1.8 billion in taxpayer funds they control, a bonus of 27 percent of every defaulted loan on which they collect and borrowers' fees that can climb as high as $80 for every $1,000 in loans – add up to an annual $638 million tax-free gift from the federal government. "This is not the free market," former Republican Sen. Dave Durenberger famously remarked of the guaranteed student loan, "it's a free lunch."

Students struggling to make ends meet on borrowed dollars will be interested to learn how the guarantee agencies divide their share of the student-loan pie. Assistant Inspector General Steven McNamara, a nonpartisan Education Department employee, has conducted audits of guarantee agencies under presidents Reagan, Bush and Clinton. "We looked at 12 guarantee agencies, which accounted for 68 percent of new-loan volume," McNamara says, citing the inspector general's recent report on the seamier side of the student-loan business. "Nine of the 12 were affiliated with organizations that they were required by law to monitor, and our conclusion was that these potential conflicts of interest placed about $11 billion in student-loan funds at risk."

State by state, the guarantee agencies' record of fraud, conflict of interest and other abuses demonstrates that they are as cavalier with taxpayer dollars year-round as they are with loan checks at the beginning of the semester:

◆ In South Dakota, the directors of the Education Assistance Corp. used federal funds to purchase an office building from themselves for $150,000, while buying furs, artwork and cars for the enjoyment of the corporation staff. Board meetings and retreats were held in such educational locales as the Don CeSar resort, in Florida, and the Marriott Desert Springs resort, in California.

GOODLING: GREED GUARANTOR

ROBERT TRIPPETT/SIPA

◆ Indiana's USA Group built itself a palatial 30-acre headquarters, including a 450-seat employee cafeteria and a 150-seat theater – and paid its CEO, Roy Nicholson, $619,949 in 1993. Nicholson's salary is exceeded only by the amount USA plans to spend this year on lobbying Congress – $750,000, according to one published report.

◆ In Massachusetts, officers of American Student Assistance set up a corporation that billed their guarantee agency $540 a use of public-sector funds that – under current law – is legal.

◆ The Texas Guaranteed Student Loan Corp. gave the Austin law firm of Ray, Wood & Fine a loan-collection contract worth $5 million. Subsequently, the firm contributed at least $10,000 to the re-election campaign of Lt. Gov. Bob Bullock, who sat on the Texas board. "Buck Wood happens to be a good friend of mine," Bullock told the *Houston Chronicle*. "I talk to him frequently about a lot of things." The inspector general's investigation found that Wood's law firm didn't bother to write the required semiannual collection letter to 104 out of 136 randomly selected students. Conflicts of interest at the Texas guaranteed-student-loan agency have reportedly cost taxpayers $178 million.

◆ Pennsylvania's state guarantee agency has 2,000 employees – as many as are employed in the Department of Education's headquarters in Washington. Jobs at the agency are such political plums that President Jay Evans was offered a $1 million "platinum parachute" to retire so Gov. Robert Casey could put a top aide in the job. When Evans declined to retire, he was given a no-show job with the agency at a salary $20,000 higher than the governor's.

Inefficiency and outright fraud are so common under the guaranteed-student-loan system that even some Republicans have broken with their party's traditional support for corporate interests. According to Charles Kolb, assistant secretary for planning, budget and evaluation in the Bush Education Department, "Conservatives in Congress are being terribly misled" by loan-industry lobbyists anxious about preserving their profits. "I'm a conservative Republican," Kolb says, "and I'm a big believer in what Newt Gingrich has done. If what you're trying to do is reduce the role of the government, you ought to be in favor of eliminating the middlemen and all the red tape." Asked whether direct lending will replace private enterprise with hundreds of government bureaucrats, as some Republicans have charged, Kolb laughs. "If socialized profits are private enterprise, maybe,"

Rep. William Goodling of I vania, chairman of the Committee on Economic and Educational Opportunities, which will determine the fate of direct lending in the House, has his doubts. "We have no idea whether the Education Department can be the biggest bank in the country," he says, "and the biggest debt collector as well." Legislation that Goodling sponsored last term in the House would limited direct lending to 40 percent of existing loans; he is now in favor of eliminating direct lending entirely, he says, because he believes it will save ey, and because of the "arrogance" of Education Department officials. "I'm not the person who drove us to this point," ling says, sounding – in this moment, at least – less like a believer in the merits of the old guaranteed student loan than like a man whose toes been stepped on once too often. "It their president who said to us, bluntly, 'You go jump in a lake. We're doing this in two years no matter what happens.' "

CONFLICTS OF INTEREST IN THE ORIGINAL PROGRAM PUT $11 BILLION IN LOANS AT RISK.

The fate of direct lending in Congress this fall may have more to do with partisan politics than with the merits of either the old guaranteed student or the new direct loans. What Bill Goodling objects to the most, it is what he describes as a White House ploy to turn direct lending into "the cornerstone of this president's term in office." He points to the multimillion-dollar Education Department publicity campaign – including television mercials, print ads and millions of vidual letters to borrowers – trumpeting the merits of what it calls "President Clinton's New Direct Student Loan Program." Are the Democrats playing politics with student loans, too? Secretary of Education Richard Riley defends the advertisements, noting "if the program was a failure, it surely be President Clinton's program."

With both Democrats and Republicans intent on turning direct loans into a political football, students find themselves facedown in the Which is a shame, because, as Richard Riley puts it, "borrowing is easier faster, and students I talk to are elated about the difference. And it's clearly a savings for taxpayers." The banks and guarantee agencies that disagree with Riley are already having their say in Congress; students, so far, have been silent. —D.S.

FORT WORTH STAR-TELEGRAM, Oct. 15, 1995 p. 4

Planned cuts in loan program alarm Democrats, students

By Ginger D. Richardson
Fort Worth Star-Telegram Washington Bureau

WASHINGTON — GOP plans to cut more than $10 billion from the federal student loan program are drawing sharp criticism from Democrats and angry students who fear that the changes will make it more difficult to get a college education.

The cuts come at a time when borrowing money for school has reached an all-time high. College students are expected to borrow about $50 billion by 2000, more than double the amount borrowed this year.

"This is going to have a devastating effect on us," said Scott Sherman, 20, a junior at the University of North Texas in Denton. "I think it is necessary to balance the budget, but I don't think we should be the victims."

But Chad Cantella, 23, a senior at Texas Christian University, said he supports what the Republicans are trying to do.

"If the budget is balanced, then students will pay less in the long run, so the cuts are actually a benefit, not a detriment to students," Cantella said.

The Senate and House proposals save money by taxing schools, limiting or eliminating the direct student loan program, scrapping the interest-free "grace period" on student loans and raising the interest rate on parent loans from 3.1 percent to 4 percent.

Under a proposal introduced by Sen. Nancy Kassebaum, R-Kan., schools would be charged 0.85 percent on the total volume of loans that their students receive.

The Clinton administration and Democratic lawmakers have criticized the tax, saying students, not schools, will bear the brunt.

"I think education is the last place you should be looking for a cut," said Rep. Martin Frost, D-Dallas. "Education is critical to our future as a country."

Frost said the changes would have a "significant impact" on Texas students and universities.

TCU students, for example, take out an estimated $14 million a year in federal loans; the proposed fee would cost the university almost $117,000. At UTA, students receive $20 million in federal aid, costing the university almost $170,000; and UNT, whose students take out about $40 million in loans, would be taxed $340,000 under the proposal.

Administrators at the schools say the tax puts an undue burden on universities at a time when the cost of higher education is skyrocketing.

"It's completely unfair," said Judy Schneider, director of financial aid at UTA. "We might have to raise the student fee or cut the scholarship program to compensate. We just don't know exactly how to handle it."

Leo Munson, associate vice chancellor for academic affairs at TCU, said the university has not decided on a plan to cover the costs.

Republican lawmakers are also calling for elimination of the interest-free grace period. Under the plans, interest on student loans would accrue right after graduation, rather than after six months.

But the GOP says the change will not greatly increase students' payments.

Borrowers owing $11,000 upon graduation will see a $6 per month increase in their monthly payment; students owing $17,000 will see a $9 monthly increase; and students owing as much as $42,000 will pay $22 more each month, according to statistics released by the House Economic and Educational Opportunities Committee.

Rep. Sam Johnson, R-Dallas, a committee member, said he voted for the changes because they are fair and economical.

"You or I couldn't get a loan without paying interest on it, so why should students be any different?" Johnson said.

The House plan would also eliminate the popular Federal Direct Student Loan Program, which President Clinton strongly endorsed.

TULSA WORLD, Oct. 17, 1995 p. 1B
(Best Copy Available)

DIRECT LOANS FOR STUDENTS CAUSE FUROR

by Randy Krehbiel

Clark Kerr, president of the University of California during the 1960s, once said that campus politics were so fierce because the stakes were so small.

Times have changed.

Unless you are a college student or the parent of one, it is unlikely you have even heard of direct lending for student loans. But the stakes in this campus tiff are billions of dollars and the futures of millions of Americans.

First proposed by the Bush administration, direct lending streamlines the **student loan** process by cutting out thousands of private financial institutions and dozens of quasi-governmental guarantee agencies.

Once a loan is approved, funds are electronically transferred directly from the **U.S. Department of Education** to students' accounts at participating schools.

School administrators -- including those at Oklahoma State University -- and students of the 104 colleges and universities that have already tried direct lending love it. Nearly 1,300 more than last year are signed up for it this year.

Supporting them are most congressional Democrats, a handful of Republicans and at least one arch-conservative think tank, the Cato Institute.

But most Republicans, including Oklahoma's entire seven-member GOP congressional contingent, want to kill it. Backing them are banking and financial interests with more than $11 million to contribute to campaign war chests, and that stand to lose billions of dollars if the stampede to direct lending is allowed to continue.

Direct lending is particularly unfamiliar to Oklahomans. Some of the state's GOP representatives have been the staunchest opponents of direct lending, and the Oklahoma State Regents for Higher Education, who administer the rival guaranteed **student loan** programs, have worked diligently to keep direct lending out.

But Ed Keller, one of three bankers on the OSU board of regents, said, "They convinced me that access to loans would be quicker and more efficient under the direct loan program. I don't think we even considered (the business aspect). I know I didn't. It just seemed like the thing to do."

Since then, however, only St. Gregory's College in Shawnee, Langston University and a Sand Springs beauty college have been authorized to make direct loans in Oklahoma, despite rave reviews

More...

FUROR, continued... (2)

from OSU.

"It has been an overwhelming success at this university," said Gary Garoffolo, assistant director of financial aid at OSU. "It has been an overwhelming success at really all of the schools that were in it the first year."

Many conservatives were leery of it from the start. They did not trust such an enterprise to the **U.S. Department of Education** -- a department many of them wanted to shut down altogether -- and viewed it as a potential expansion of federal bureaucracy.

They agreed to a tightly contained pilot project only with grave misgivings, and were horrified when direct lending proved a success.

In fact, direct lending may have been too successful for its own good. The schools rate it high, in one year direct lending captured 40 percent of the **student loan** volume, and hundreds more schools clamored to sign up.

Because of this success, the largest purchaser and repackager of student loans, the **Student Loan** Marketing Association -- better known as Sallie Mae -- saw its stock nose-dive. From a high of $75 a share, Sallie Mae bottomed out at $32, causing a revolt in the board room.

Once House Republicans launched their war on direct lending, however, the stock was resuscitated and is now trading in the mid-50s.

Rep. Thomas Petri, a Wisconsin Republican, says the effort to kill direct lending represents "a business-as-usual big government approach that delivers favors to well-connected special interests at the taxpayers' expense."

Petri claims 16 officers of Sallie Mae have higher salaries than the U.S. secretary of education.

Opponents such as Rep. Ernest Istook, R-Okla., deny such considerations play any part in their position. They cite a Congressional Budget Office report that says cutting off direct lending would save the federal government $1.5 billion over seven years.

A number of supporters, however, say that study was rigged to cast direct lending in the worse possible light -- a charge which seems to be borne out by a conflicting study by the Office of Management and Budget.

The congressional study, for instance, did not include all costs for the guaranteed loan program. Those include $1.8 billion paid into a reserve fund for the guarantee agencies and billions more in revenues lost because the guaranteed loans are subsidized by tax-exempt bonds.

Direct lending advocates also point out that the guaranteed **student loan** programs support about 5,000 employees of the various guarantee agencies and financial institutions -- more than work in

More...

the entire **U.S. Department of Education**.

Not all of those 5,000 are in private enterprises. More than 100 work for the Oklahoma State Regents for Higher Education -- the same agency that opposed OSU's participation in the direct lending pilot program.

"What I simply find terribly ironic is that fiscal conservatives want to eliminate direct lending," said Garoffolo. "The whole **student loan** industry was created and subsidized by the federal government.

"At one time that was needed. But times change."

AMERICAN BANKER, Oct. 18, 1995

CITI ATTACKED FOR CAMPAIGN TO KILL DIRECT STUDENT LOANS

by Christopher Serb

Several activist groups labeled Citibank the "Hog of the Month" on Tuesday for its lobbying efforts to kill direct student lending.

Accepting the award in behalf of a nonparticipating Citibank, the country's largest student lender, was "I.M. Greedy," a farcical banker with a top hat, cigar, a hog's nose and ears, and plenty of piggish rhetoric on the greed of corporate special interests.

The monthly hog awards are distributed by the Campaign for an America That Works, an organization whose members include the International Brotherhood of Teamsters, the United States Student Association, and the Association of Community Organizations for Reform Now.

"When it comes to student loans and lobbying clout in Congress, Citibank is King Hog of the Hill," said Jeanette Galanis, president of the student group.

"Citibank wants to protect its place at the taxpayer trough, and it is doing so by lobbying against direct lending," she said. "This is a classic confrontation of students and taxpayers against big, fat corporate special interests."

Asked for comment, a Citibank spokesman, Jack Morris, said banks were better equipped than the government to lend to students. "We certainly uphold the right of people to express themselves," he added.

Current law caps the amount of direct student lending at 60% of the **student loan** market; the Senate has proposed restricting the government's share of the market to 20%, while the House has proposed eliminating direct lending altogether.

November 8, 1995

TO: Paul Diamond, OEOB
Gene Sperling, White House Domestic Policy Council
Jeremy Ben-Ami, White House Domestic Policy Council
Gaynor McCowan, White House Domestic Policy Council
Ken Apfel, OMB
Barry White, OMB

FROM: Leo Kornfeld

I am enclosing additional materials on the Direct Loan Program prepared for the press conference held on November 2 at the Dirksen Senate Office Building. These include:

1) Pie charts for states where Direct Loans represent more than 30 percent of the total loan volume.

2) State-by-state lists that contain information in the following order:

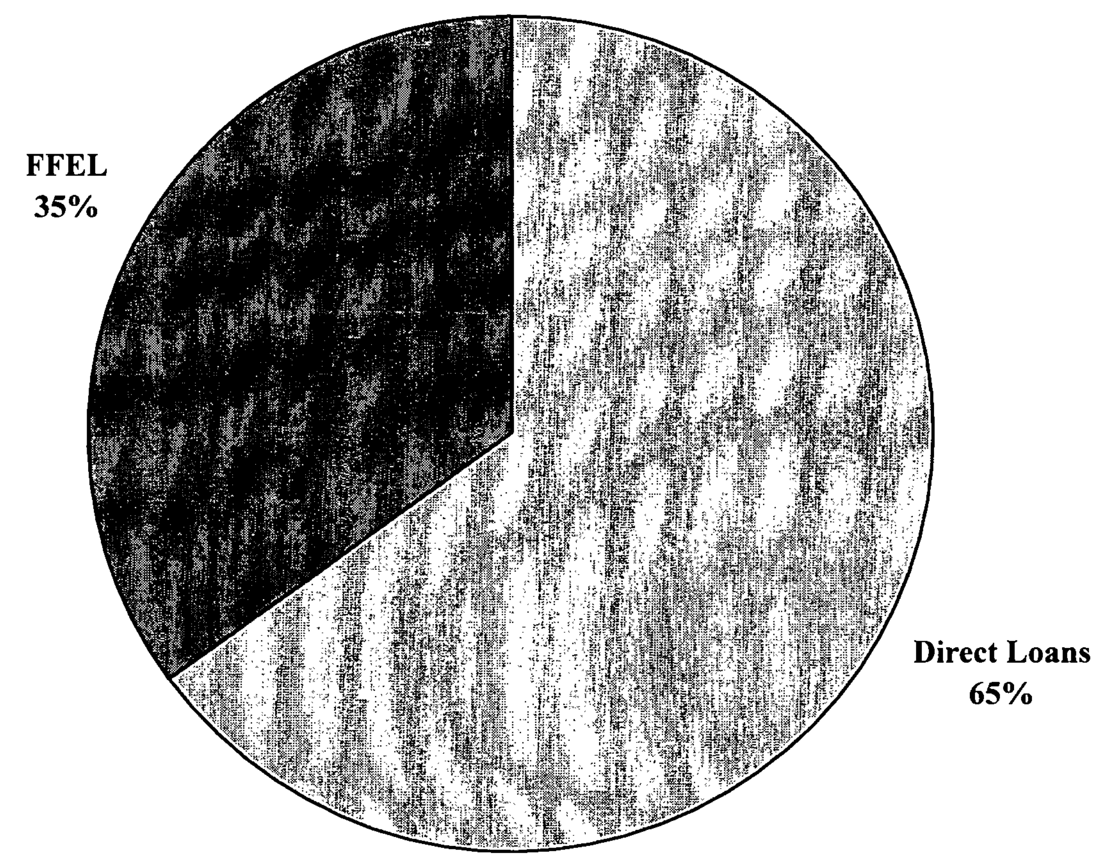
State Name
Number of Direct Loan Schools in State
Name of Selected Schools in State
Projected Loan Volume for State for Academic Year 1995-96
Quotes

This information was merged with a generic press release file to create state-specific press releases. I have attached the example from Arkansas. A disk with the press release for each state can be obtained from the Department.

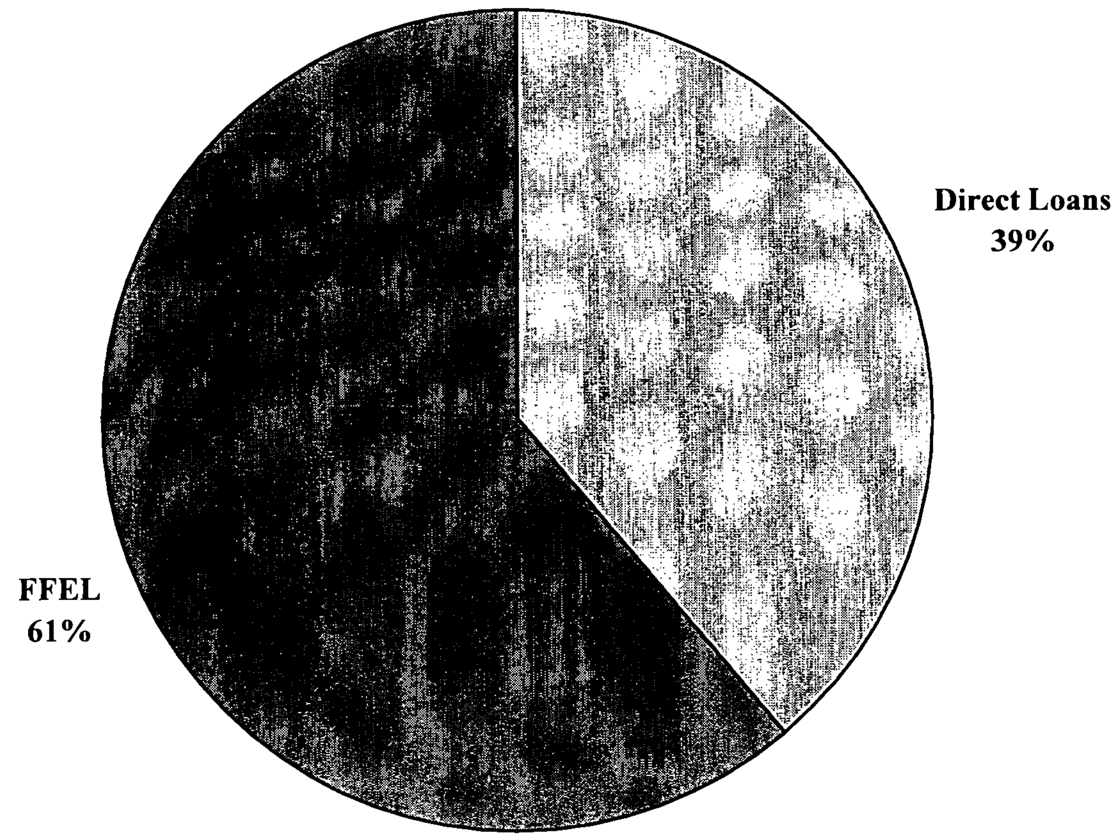
Also, I am providing copies of two new additions to the state-by-state quote sheets from Mississippi and Puerto Rico.

As always, I will forward additional information as it becomes available.

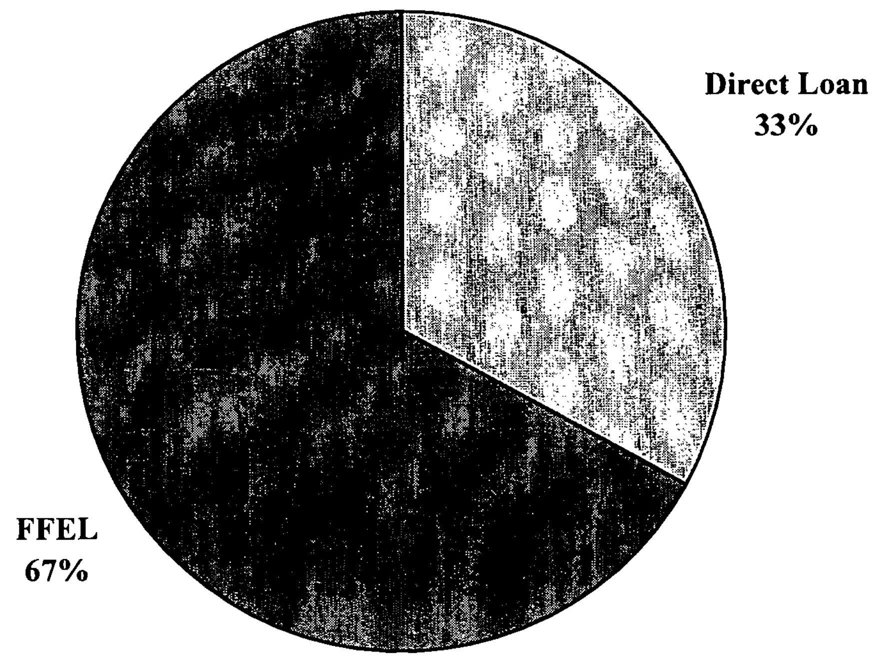
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Alabama



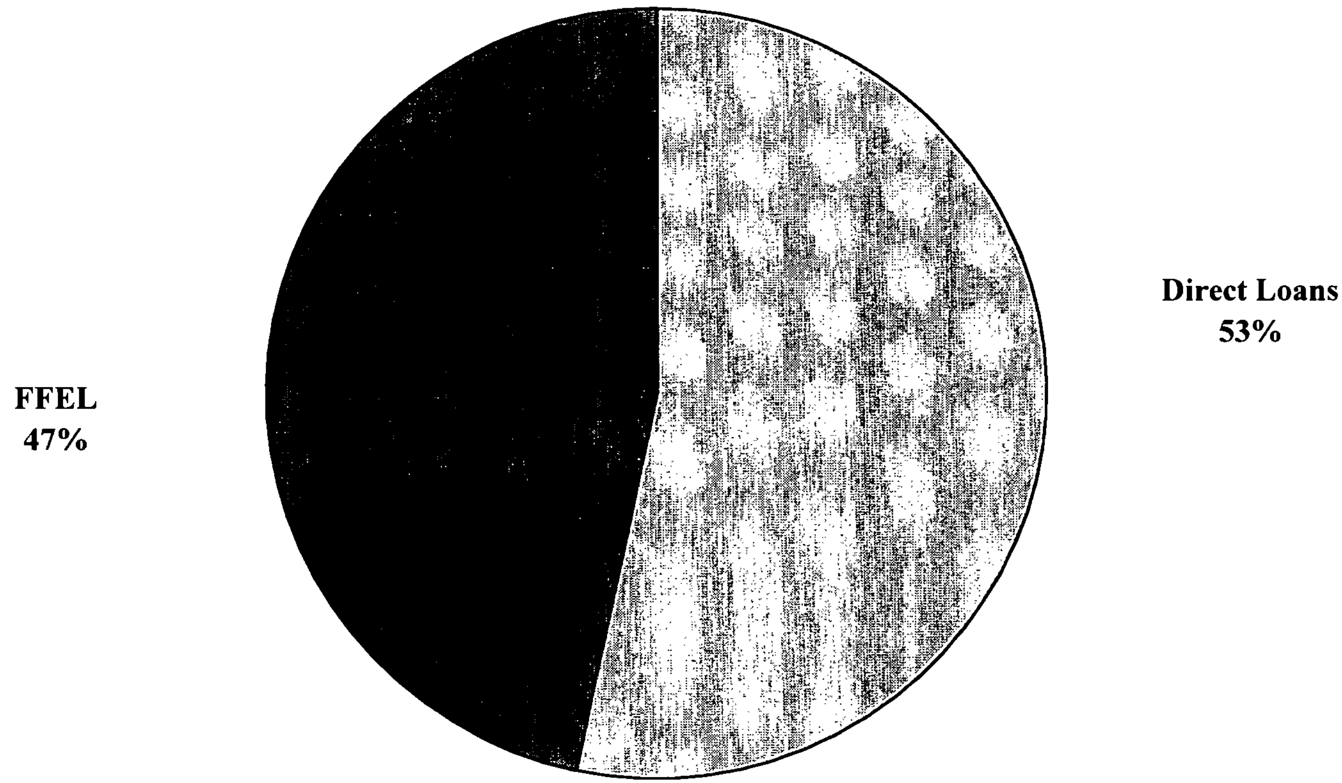
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Arizona



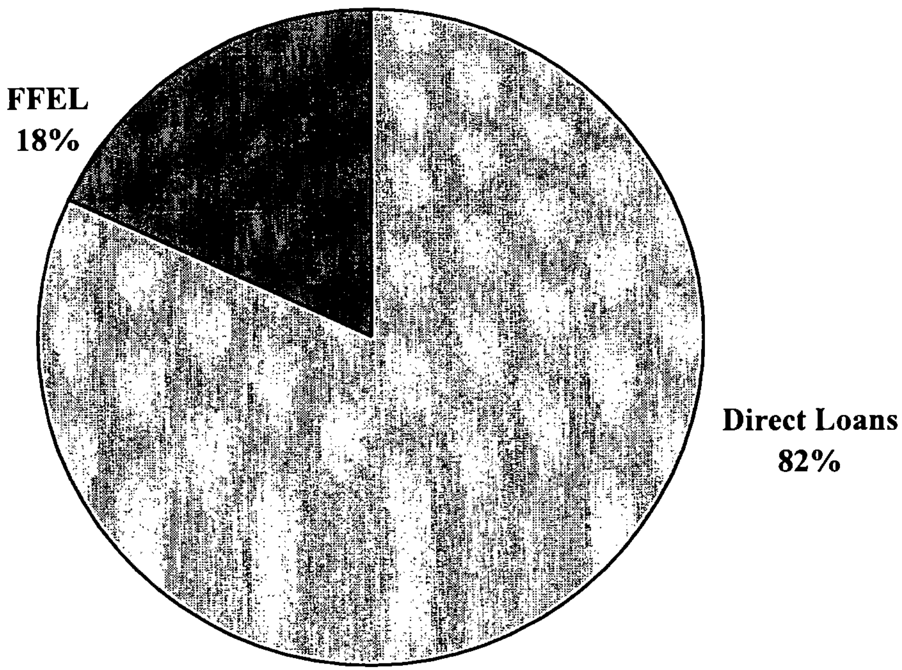
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, California



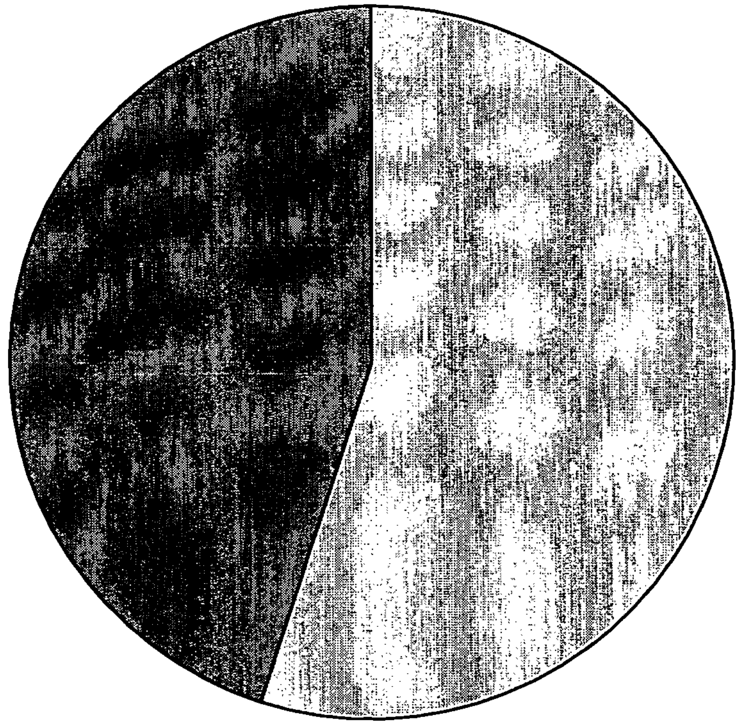
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Colorado



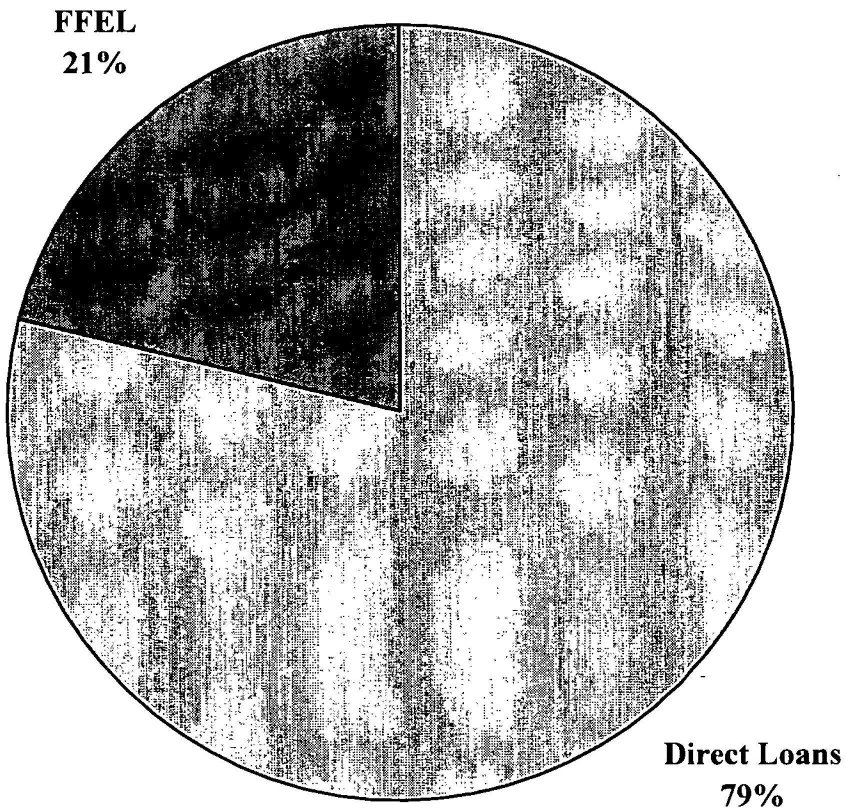
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Delaware



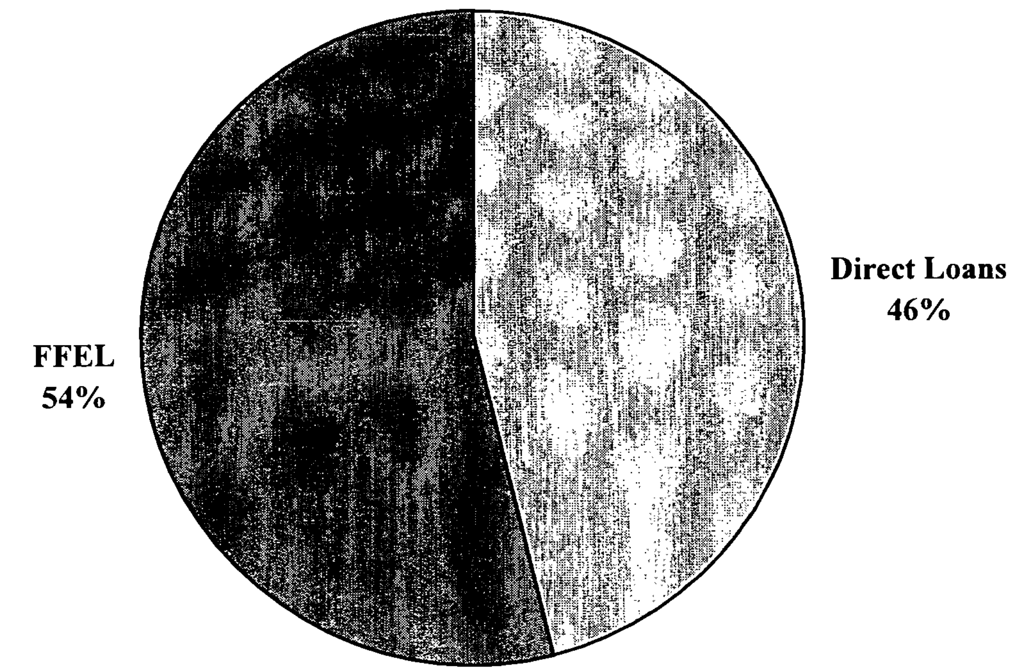
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Georgia



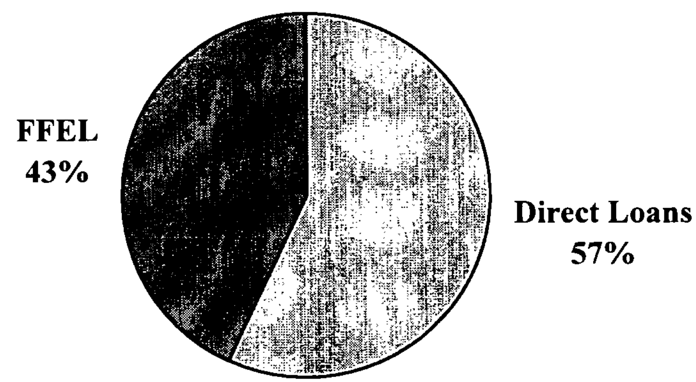
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Idaho



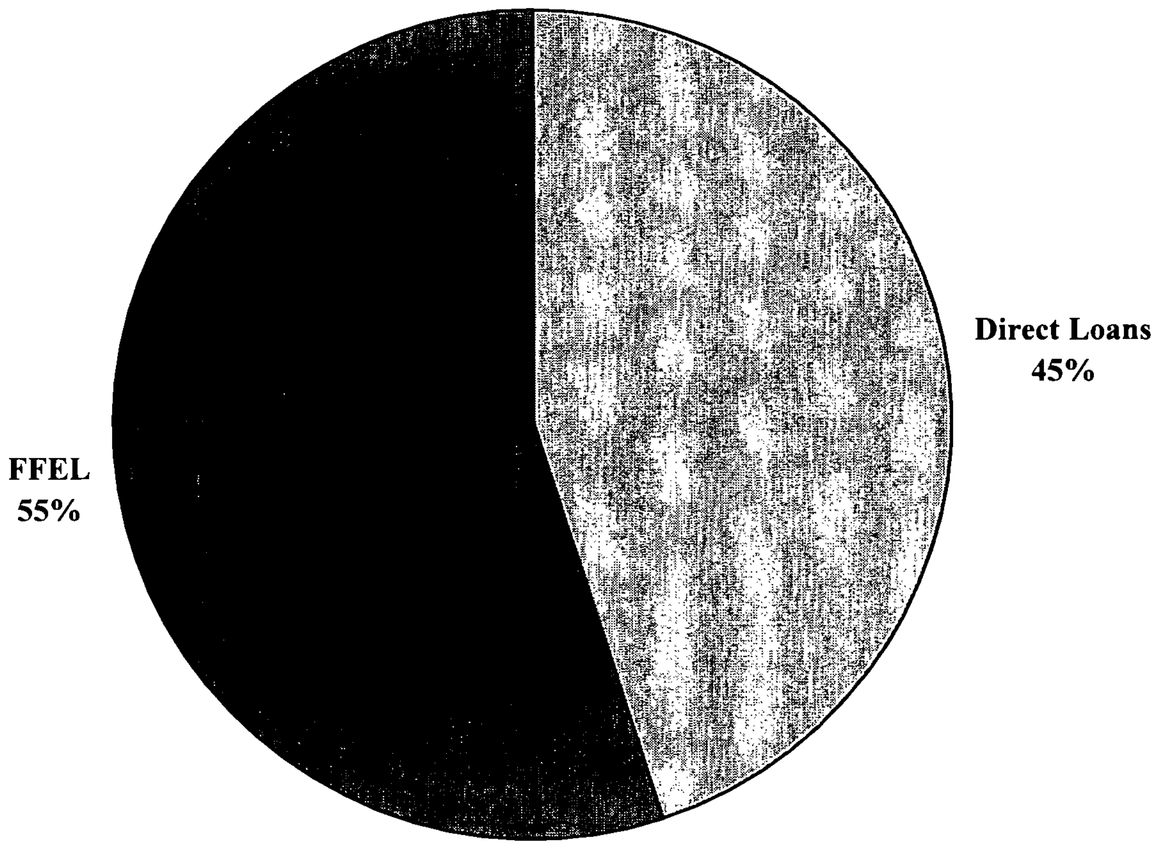
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Illinois



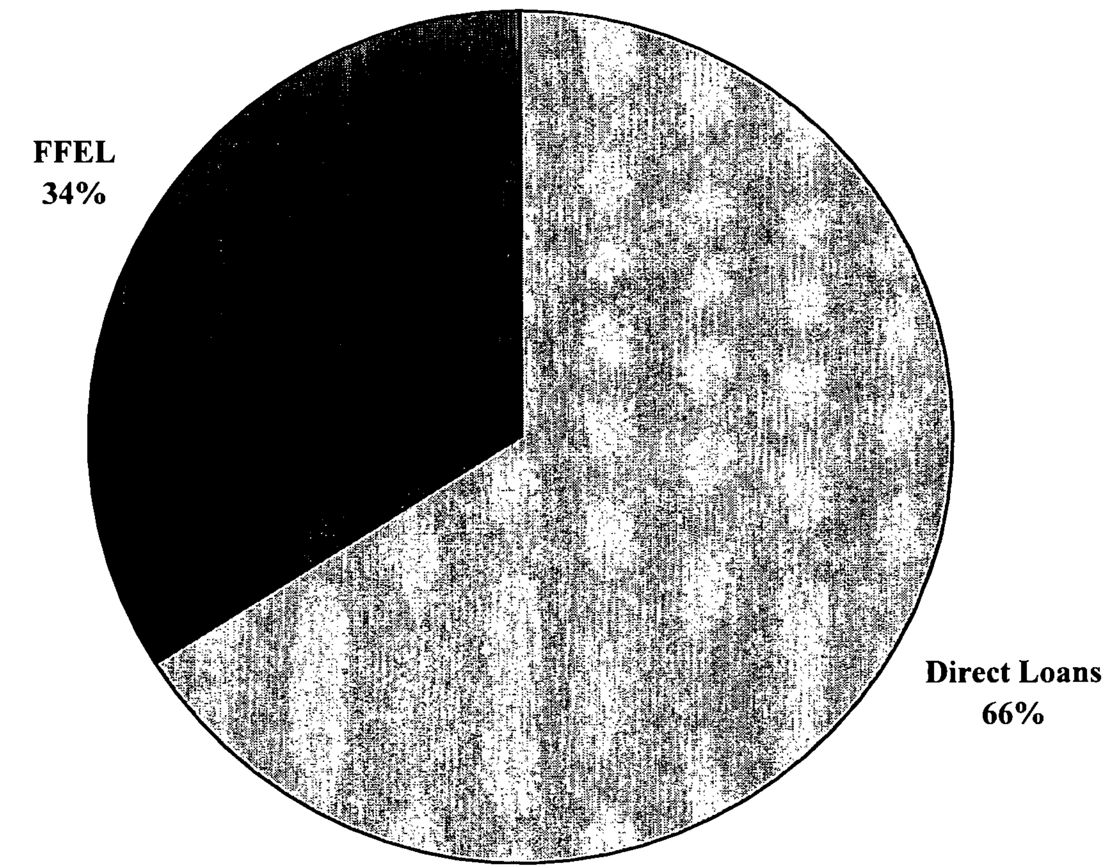
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Iowa



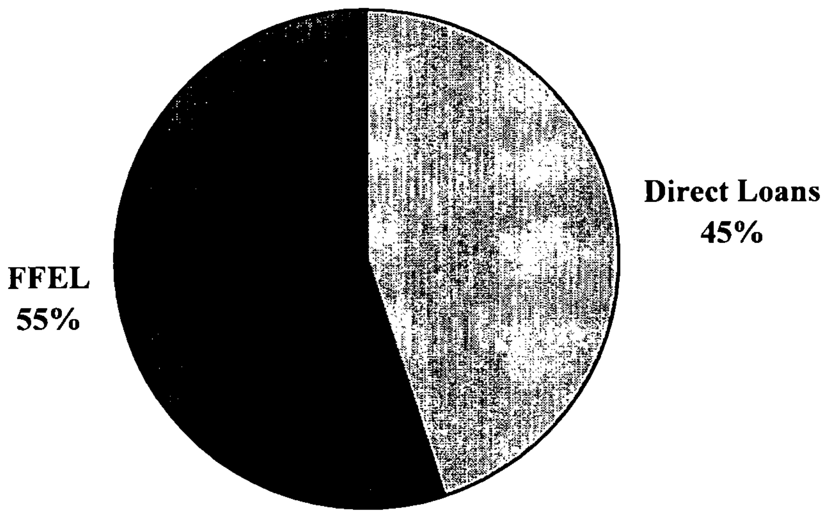
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Kentucky



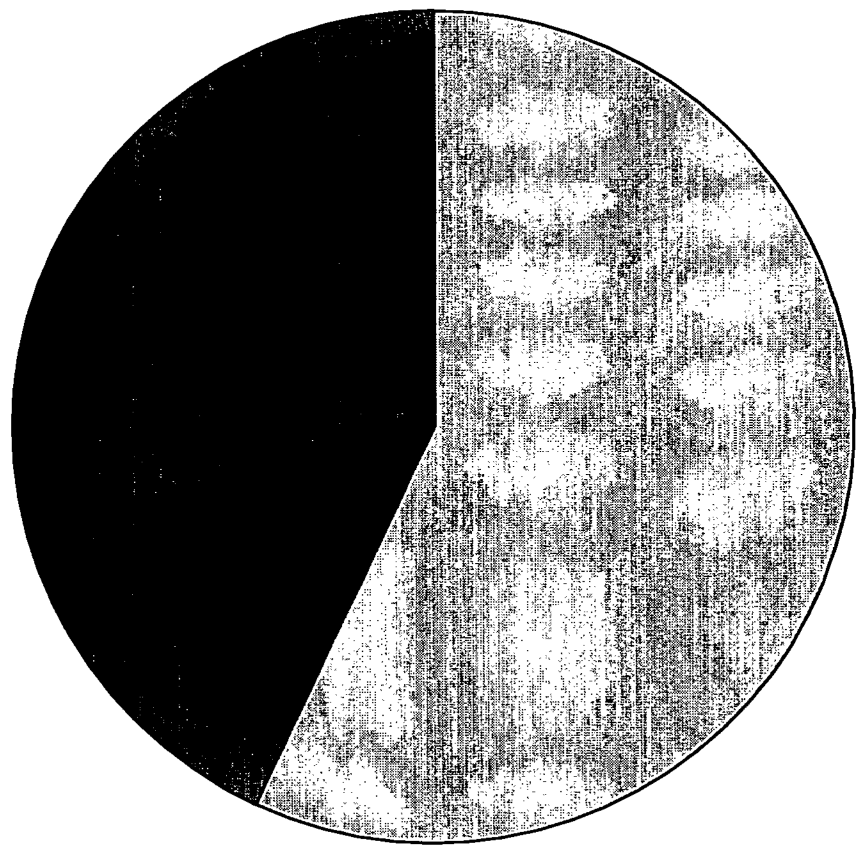
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Maryland



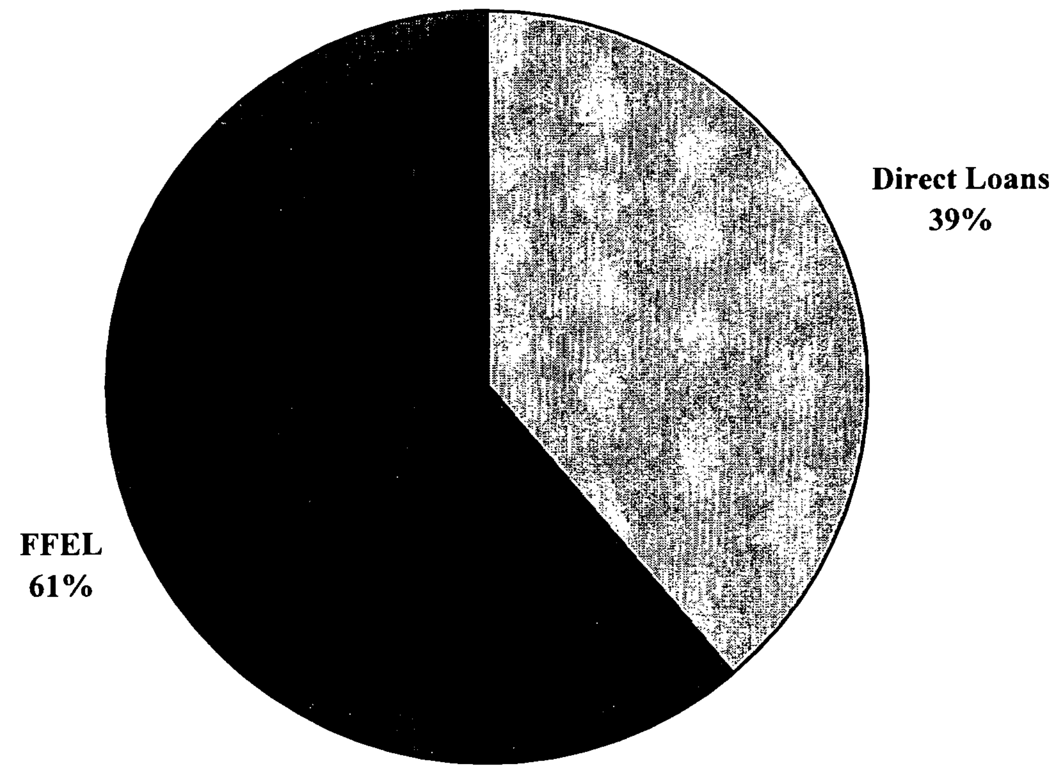
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Massachusetts



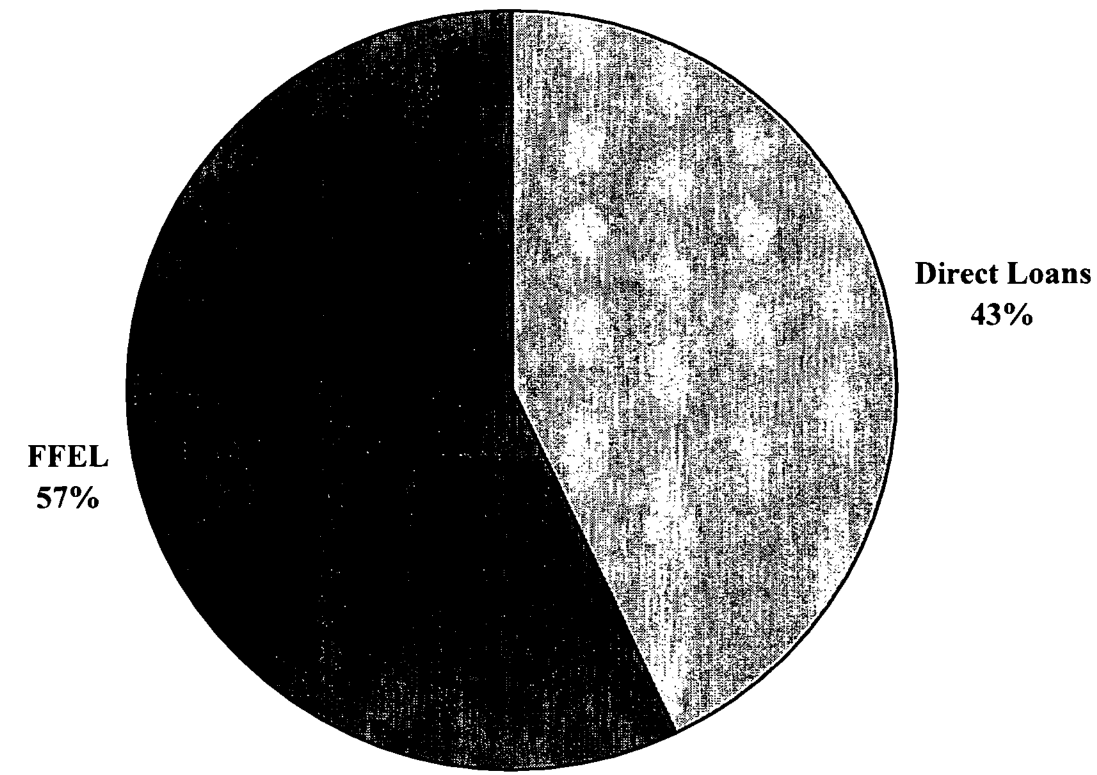
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Michigan



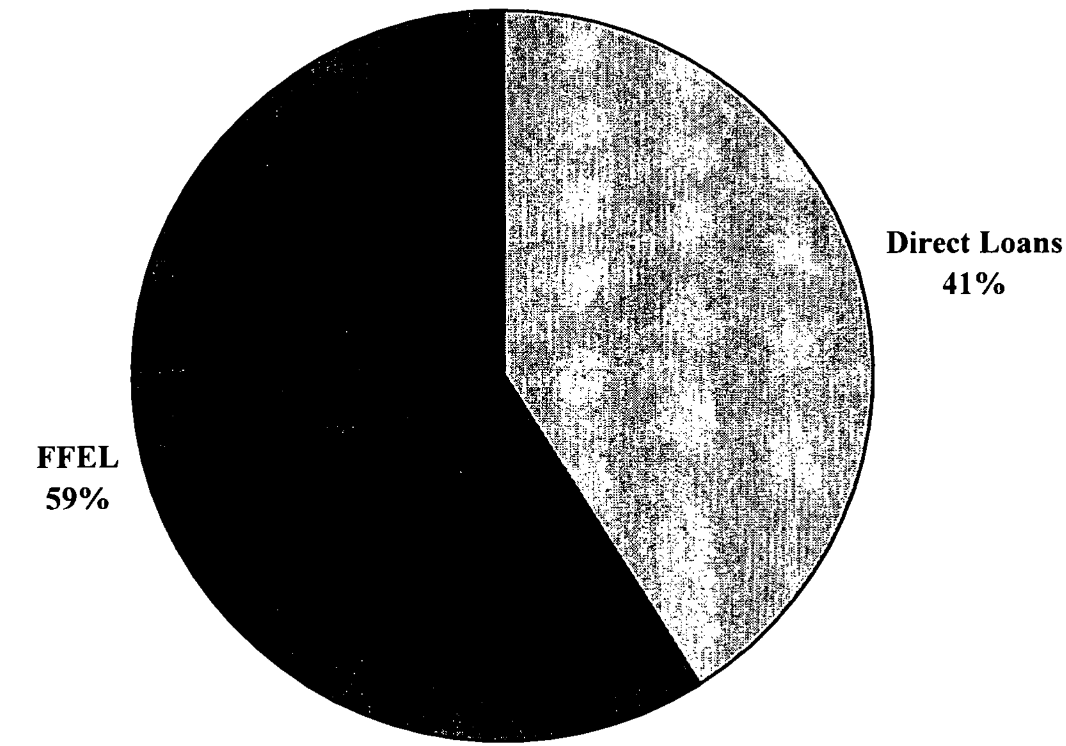
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Missouri



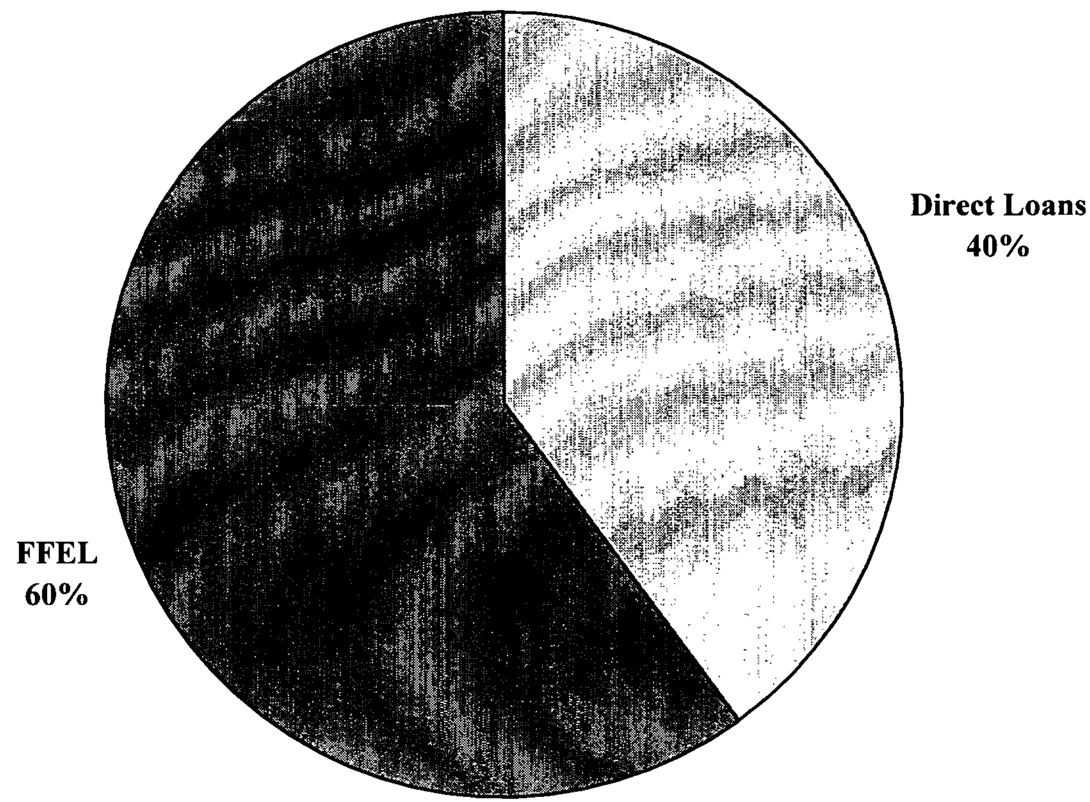
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Nevada



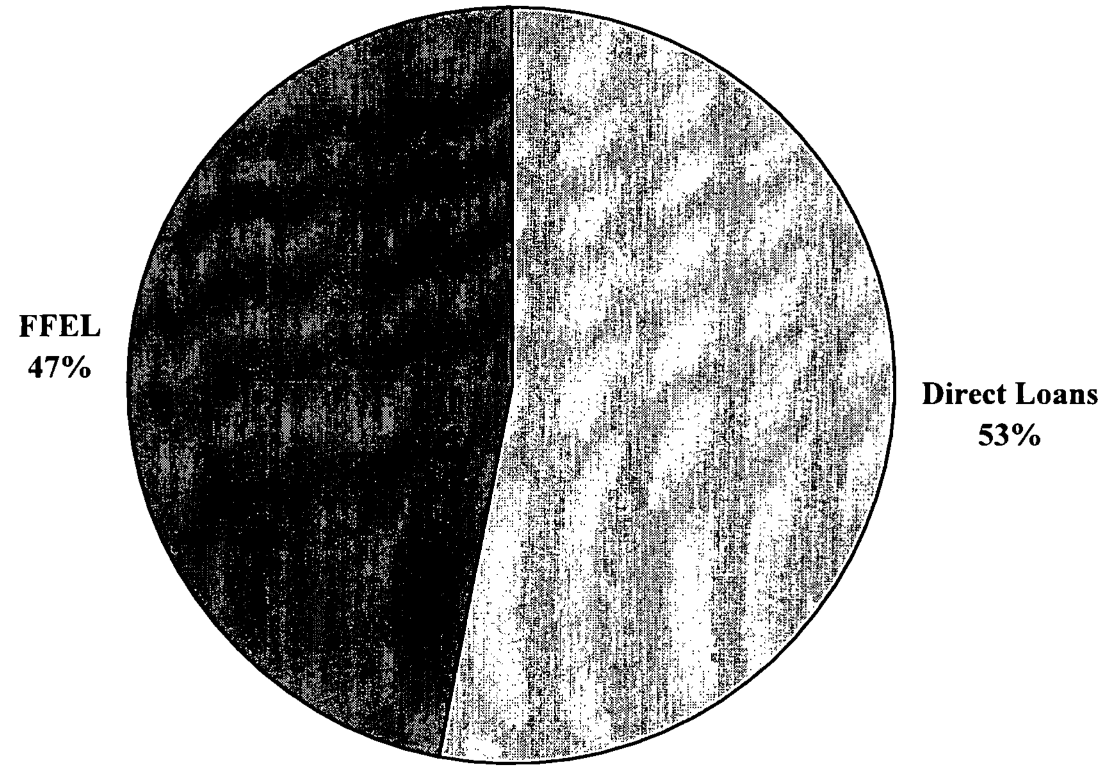
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, New Mexico



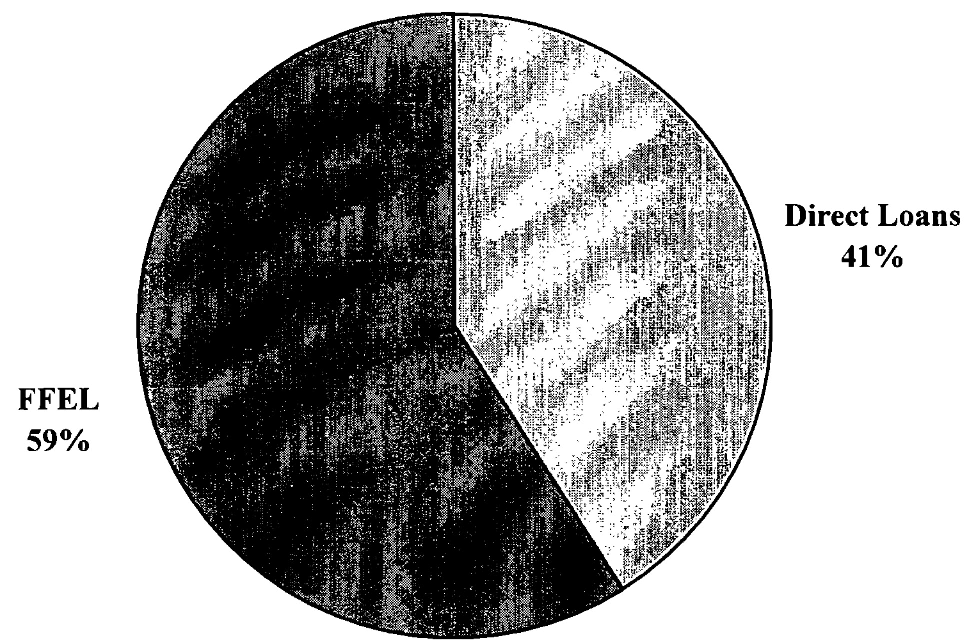
Estimated Direct Loan Volume
as a Proportion of the Total Loan Volume, Year-Two, New York



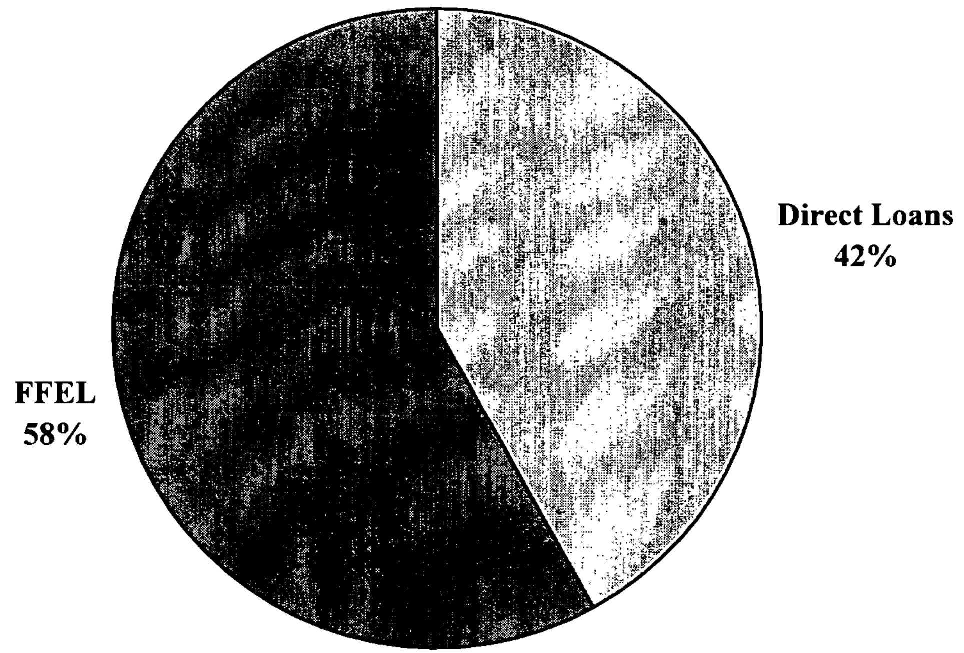
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Oregon



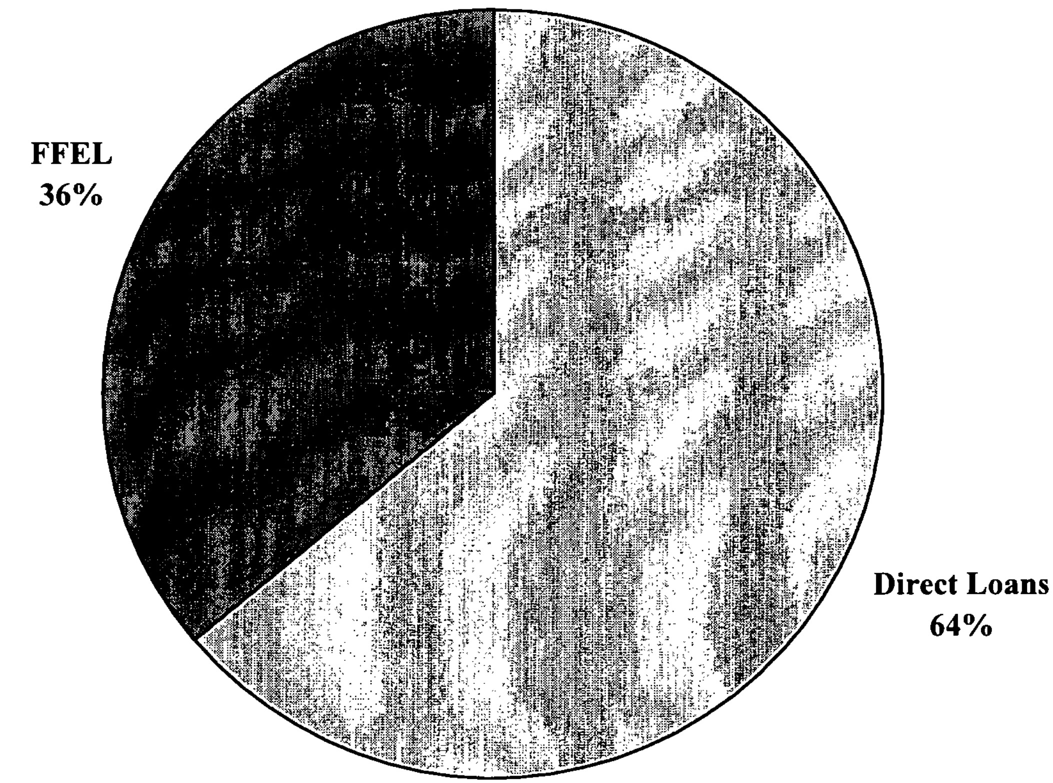
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume,Year-Two, Rhode Island



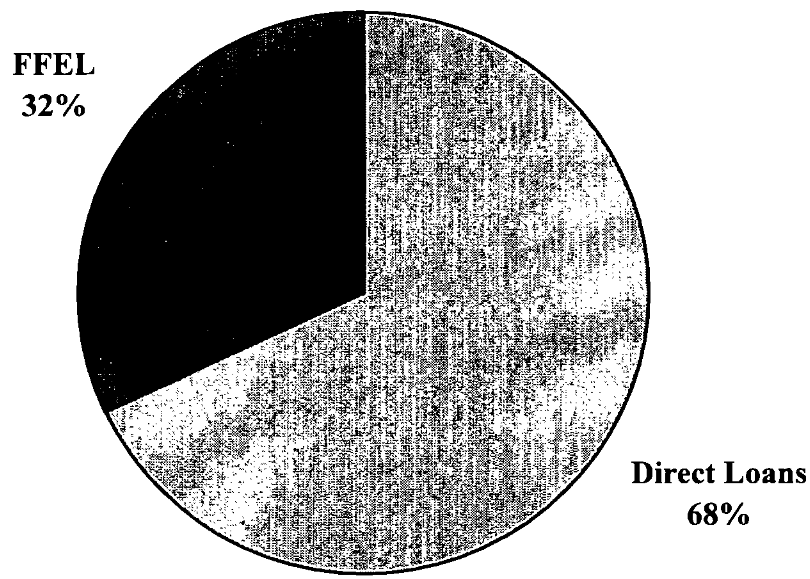
Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, Vermont



Estimated Direct Loan Volume
as a Proportion of the Total Loan Volume, Year-Two, Virginia



Estimated Direct Loan Volume as a Proportion of the Total Loan Volume, Year-Two, West Virginia



UNITED STATES DEPARTMENT OF EDUCATION NEWS FOR IMMEDIATE RELEASEContact: Jane Glickman (202) 401-1307
November 2, 1995Stephanie Babyak (202) 401-2311

ARKANSAS STUDENTS, SCHOOLS TO BE DROPPED FROM DIRECT LENDING UNDER CONGRESSIONAL BUDGET PLAN

Congress is preparing to remove thousands of Arkansas college students and up to 6 Arkansas schools from the new direct loan program. Arkansas's college students will have 7,793 direct loans by the end of this school year.

Under direct lending, students bypass the maze of lenders and other middlemen that comprise the old guaranteed loan system and borrow directly from the federal government through their campus financial aid office. Eliminating these middlemen saves taxpayers billions of dollars.

Recently, Congress changed the accounting rules to show that direct lending costs more. However, respected economists disagree. For example, Lawrence Lindsey, a Bush appointee to the Federal Reserve Board, said, "As long as it is necessary to provide a profit to induce lenders to guarantee student loans, direct lending will be cheaper."

And students are given the option of paying back their loans as a percentage of their income, so that they can repay the loans more easily.

"Partisan politics and special interests are winning out over common sense and the best interests of students, schools and taxpayers," said U.S. Secretary of Education Richard W. Riley. "Returning to the old loan program means wasted time and hassle for students when they take out their loans, but it also means preserving billions of dollars in profits for all the middlemen that make up the old system."

Arkansas schools that have chosen direct lending include: **Arkansas Baptist College, East Arkansas Community College, Philander Smith**

College, University of Central Arkansas and Williams Baptist College.

Riley said students and parents like the program because it's faster and easier. They work directly with the school's student aid office instead of shopping around for a lender and waiting for the bank to process the paperwork and forward it to the school. As a result, loan money is available within days rather than weeks. And direct lending offers flexible repayment options, including one based on income, which gives borrowers great control over their finances and career choices, and decreases the likelihood of defaulting.

Independent surveys of aid administrators have found that schools like direct lending's streamlined and simple processing system. It involves less paperwork, and less time and money tracking loans with lenders. Direct lending improves cash flow and allows schools to structure the loan program to fit their particular needs and capabilities. Most of all, it frees schools to offer better service to students.

Here's what Arkansas schools have to say about direct lending.

"The Direct Loan Program is a good system that benefits both the students and the college."
-- Bob Womack, Director of Financial Aid, Williams Baptist College

"The best loan program is the one that best serves the student, and the Direct Loan Program best serves the students. It is a good program!"
-- Travis Douglas, Director of Financial Aid, University of Central Arkansas

The House and Senate are expected to conference this week to hammer out the differences between their versions of the budget reconciliation bill. The House voted to kill direct lending altogether, which would force all schools and students now in the program to revert to the less efficient and more cumbersome bank-run loan program. The Senate imposed a 20 percent cap on direct lending, which means that about half the students with direct loans would have to return to the old system.

More than 1,350 schools presently participate in the direct loan program, and some 500 more are signed up to join next year. With more than 2 million borrowers, direct loans now account for nearly 40 percent of total student loan volume.

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NOTE TO EDITORS: A complete list of schools participating in direct lending is available on request.

State Name

Number of Direct Loan Schools in State

Name of Selected Schools in State

Projected Loan Volume for State for Academic Year 1995-96

Quotes

Arkansas

6

Arkansas Baptist College
East Arkansas Community College
Philander Smith College
University of Central Arkansas
Williams Baptist College

7,793

"The Direct Loan Program is a good system that benefits both the students and the college."

Bob Womack
Director of Financial Aid
Williams Baptist College

"The best loan program is the one that best serves the student, and the Direct Loan Program best serves the students. It is a good program!"

Travis Douglas
Director of Financial Aid
University of Central Arkansas

Alabama

20

Auburn University
Jacksonville State University
John C. Calhoun State Community College
Selma University
Tuskegee University
University of Alabama

67,441

"Our students are still in a state of shock when they find out how soon they can get their loan funds. We keep waiting to find out 'what's the catch?' Seriously, the system works great."

Larry Smith
Student Financial Aid Director
Jacksonville State University

Arizona

35

Arizona State University
CAD Institute
Central Arizona College
Northern Arizona University
Scottsdale Community College
Tucson College

69,571

"We think the Direct Loan Program is wonderful. Our student population has increased over 7 times in less than 3 years, and we have been able to maintain a level of service to students comparable to that prior to the increase. This would not have been possible under the FFEL Program."

Gina Myers
Assistant Manager for Financial Aid
The CAD Institute
Phoenix, Arizona

California

183

California State University, Chico
California State University, Dominquez Hills
California State University, Los Angeles
Contra Costa College
Fresno City College
Fullerton College
Long Beach Community College
Los Angeles Southwest College
Napa Valley College
Pasadena City College
San Diego City College
San Francisco State University
Santa Clara University
University of California, Berkeley
University of California, Riverside
University of California, Santa Barbara
University of California, Santa Cruz
University of California, Irvine

241,868

"This is a monumental step. It makes those of us in financial aid more sophisticated and user friendly in helping to serve students. We can't do anything but do our job better."
Kenneth R. Clarke, Associate Director of Financial Aid, University of San Francisco

"In any pilot program, and UCI has been involved in most state and federal pilots, there are going to be challenges. We knew this when we signed up for the Direct Loan Program. Every challenge we have faced has been solved. These solutions have come fairly easily. The three partners in the process (University, Department, AFSA) have worked well together. The institutions that are coming onboard in year two of the Direct Loan Program will face an easy transition into the Direct Loan Program."
Otto W. Reyer,Assistant Vice Chancellor and Director of Financial Aid, University of California, Irvine

"Go Direct Loans--Our experience so far has been very satisfactory."
Esperanza Nee, Director of Financial Aid, University of California, Santa Cruz

Colorado

24

Aims College
Colorado Mountain Junior College
Colorado School of Trades
Colorado State University
Community College of Denver
Iliff School of Theoloogy
University of Colorado Boulder

67,915

"I can hardly talk about eliminating the program without crying. Students are happy. Universities are happy. Why they want to cut it, I just don't get it."

"Being in Direct Loans has been almost a spiritual experience. It helps us provide better services to students, period."
Kay Jacks, Director of Financial Aid, Colorado State University

"I estimate that we have saved 120 staff hours in the finance office alone because the Direct Loan Program has worked so well. Since there are just three of us in the Finance Office, that is a full week of staff time just this semester."
Richard Batman, Finance Officer, Aims Community College, Greeley, Co

"The most impressive aspect of our whole experience so far has been the fantastic level of support, from the account managers and from the servicing center. They have kept in touch with us from the beginning and answered all our questions."
Barbara Wilder, Director of Student Affairs, Colorado School of Trades

"The students at Iliff go into a lot of community service positions after they graduate. We all know how well these jobs pay. The students are thankful for the Income Contingency Repayment Plan because it allows them to serve their communities and still pay off their loans."
Peggy Scroggins, Director of Financial Aid, Iliff School of Theology, Denver

"What should students expect from the new direct-loan system? We can answer students' questions ... and our counseling staff was like, 'Wow! We're not spending all our time chasing paper. We're actually talking to students.' "
Susan O'Flaherty, Director of Financial Aid, University of Colorado, Boulder

Connecticut

17

Central Connecticut State University
Industrial Management & Training Institute
Trinity College
Western Connecticut State College

19,039

"The Direct Loan Program is a perfect blend of technology and service to the students."

William Hawkins
Financial Aid Director
Western Connecticut State University

District of Columbia

2

The American University

8,629

"This is to confirm the tremendous success of the Federal Direct Lending Program at American University.

"In my seven years in financial aid, I have had extensive experience with both the FFEL Program and the Federal Direct Lending Program. That experience has been with schools ranging from 1,500 students to a school with 11,000 students. My colleagues and I have shared in the frustration of having to implement a bevy of ever-changing federal regulation[s]. We have been on the front lines and have actually witnessed the effect of federal policy on aid recipients.

"The Federal Direct Lending Program is absolutely the best thing that has ever happened in financial aid. When AU was in the FFEL Program, our students had to navigate the myriad of agencies involved in loan processing. Despite the efficiency of individual banks and guaranty agencies, the FFEL Program was doomed to inefficiency. Too many cooks, no matter how skilled they are, ruin the soup.

"In FFELP, our students waited two months for their loan funds ... in the best of circumstances. If anything happened to go wrong, they waited much longer. Under Federal Direct Lending, we make funds available to students as quickly as one day from the point they submit a loan application! The reduced administrative burden, combined with the tremendous reduction of problems and delays experienced by students, has taken a struggling office and turned it into a model of efficiency.

"If the Federal Direct Lending Program is taken away from us, our 11,000 students will instantly perceive that Congress has completely disregarded their needs and experiences when determining the fate of this program."

Erik McGunnigle
Interim Associate Director
Office of Financial Aid
The American University

Delaware

5

Delaware State College
Delaware Technical & Community College
Star Technical Institute
University of Delaware

12,222

"Direct lending has many positive advantages that warrant its survival. Some advantages are: It is easier and quicker for the student, more efficient for the school, and saves the school administrative costs. For the school, the training is readily available, and the support service has been outstanding. There appears a genuine concern for the student by the Direct Loan servicer that should help reduce the default rates. Direct lending has been run as a clean, concise operation, and thus should remain in full operation with no immediate changes."

Randy Brown
Financial Aid Officer
Star Technical Institute, Wilmington

Florida

34

Bethune Cookman College
Central Florida Community College
Rollins College
Southeastern Academy
Southern College
University of Florida
University of West Florida

74,032

"We had been reluctant to enter the direct loan program because of our previous experience with ED. But I am happy to tell you that there has been a complete turnaround in attitude in the Department. ED staff, particularly the Direct Loan Task Force, have been extremely responsive, supportive and dedicated. There is a true 'can do' spirit and a genuine interest in working with the higher education community to make the program better and reduce the regulatory burden that prevents us from assisting students as well as we otherwise might. Your initiatives for reinventing government and your executive orders to reduce regulatory burden and improve customer service have been the impetus for this changed attitude."
Karen Fooks, Director, Office for Student Financial Affairs, University of Florida

"Karen Fooks, the financial aid director at the University of Florida, says her whole office threatened to quit if it was ordered to return to the bank system from direct lending."
Excerpt from US News and World Report, March 1995

" We are very happy to be in the program. I consider the program to be much better than the old system."
Ray Bennett, Director of Financial Aid, University of West Florida

"The Direct Loan Program allows us to provide better service to our students. Also the student and the Business Office are relieved of navigating the sea of student loan checks."
Sarah Testerman , Director of Financial Aid , Southern College

"The best part of direct lending is the level of support. The biggest difference compared to other federal programs is that we have people looking out for us. Direct lending provides excellent opportunity for our vocational students; there have not been any problems getting the money to the students, and I hope the Program is here to stay. I also hope that other programs offered by the Department of Education will become more like the Direct Loan Program with regard to the level of support."
Tom Delgrosso, Financial Aid Director, Southeastern Academy, Kissimmee, Florida

Georgia

37

Albany State College
Georgia Institute of Technology
Georgia State University
Morehouse College
Morris Brown College
Savannah State College
University of Georgia
Valdosta State College

112,872

"When we applied to participate in the FDSLP [Federal Direct Student Loan Program], we were assured that the FDSLP would be in operation for a period of at least five years. Valdosta State University has invested considerable resources in implementing this program. We are distressed to learn that Congress is seriously considering curtailing or canceling the FDSLP and returning to the bank-based student loan system.

"I urge you to keep the current law which allows schools to choose whichever system they prefer. If the FDSLP continues to work as well as it has up to this time, more institutions will choose to participate; if it fails to provide efficient service to students, schools will abandon the program.

"It is essential that Congress adopt the loan program that is in the best interest of the taxpayers, students and parents, not the program that benefits banks and guaranty agencies."
Hugh C. Bailey, President, Valdosta State University

"Our fall quarter registration started on Sept. 17, and I am pleased to report that it was the smoothest registration in years, thanks to direct lending. Last year (and for the last several years) under ... FFELP we were a month behind in processing loan applications by the end of August, and students often did not get their money to pay their tuition and rent until the end of November. This year every loan application turned into our office by noon on Sept. 15 was processed in time for fall registration, and our students had money to pay their rent and tuition by the middle of October.

"Unless you have worked in a financial aid office, it is difficult to imagine how much easier it is to process a student loan without the two layers of bureaucracy added by the banks and guaranty agencies."
Tommy A. Moore, Director of Financial Aid, Valdosta State University

Iowa

38

Central University of Iowa
Coe College
Des Moines Area Community College
Hawkeye Community College
Iowa State University of Science & Technology
Luther College
Mt. Mercy College
University of Iowa
University of Northern Iowa

91,482

"Because of direct lending, students are again in control. It is the students who determine their individual repayment options. This means that an Iowa State journalism graduate does not have to follow the same repayment schedule as the chemical engineer graduate. Students under direct lending have options. They can exercise those options. They can take full responsibility for their financial affairs. They are in charge. The student who elects a historically low paying career is not penalized, nor is the student who elects a historically higher paying career rewarded."

Earl E. Dowling
Assistant Vice President for
Enrollment Services and Director,
Office of Student Financial Aid
Iowa State University

Idaho

7

Boise State University
College of Southern Idaho
University of Idaho

26,021

"How do we measure the success or failure of our programs? It's obvious. The students.Our students continue to praise the program for its simplicity and ability to provide loanfunds to them in a short period of time. We had more loan funds available for students to use at registration than at any time in the history of the University."

"The University of Idaho felt as an institution that the direct loan process gave us greater control over having funds available when students needed to pay their tuition and fees. The Direct Loan Program provides our students with better repayment options. The ability to consolidate a student's loans in one place with the choice of several payment options should help reduce default. The Direct Loan Program allows us to develop a simple program around the individual needs of our students."

Daniel Davenport
Director
Admission & Student
Financial Aid Services
University of Idaho

Illinois

71

Bradley University
City College Chicago
College of St. Francis
Columbia College
DePaul University
Devry Institute of Technology
Illinois State University
Joliet Junior College
Knox College
Lincoln College
Southern Illinois University, Carbondale
St. Joseph College of Nursing
University of Illinois
Wilbur Wright College

154,425

"There is reduced administrative burden for both our Financial Aid Office and our Business Office. Hundreds of hours of telephone calls with lending institutions, guaranty agencies, secondary markets and students have been eliminated."

"The University of Illinois views direct lending as an opportunity to offer an efficient and responsive program that serves our students and their families well. Simply, the Federal Direct Student Loan Program has greatly reduced bureaucracy, principally by eliminating unnecessary middle level administrative requirements and the accompanying subsidies."
Michael Aiken, Chancellor, University of Illinois, Urbana-Champaign

"Judging the Federal Direct Loan Program without adequate evaluation or reflection is like finding an anesthetic ineffective during surgery because the patient was unconscious, and, therefore, unable to give reliable feedback. Students know what works and what does not work, what is overcomplicated and what is user friendly. Students participating in the Federal Direct Loan Program are generally pleased with the program, as in time, others who participate in the future will be pleased."

"Prior to the Direct Loan Program the educational loan environment was a more or less feudal system in which lenders and guaranty agencies held students as vassals to insensitive and oftentimes irresponsible management. With the advent of the Direct Loan Program, responsive and responsible management became available to students who needed to borrow in order to participate in the postsecondary experience. The fact of the matter is that without the presence of

the Federal Direct Loan Program as competition, the Federal Family Educational Loan Program would never have begun the process of reform it has just embarked upon."
John Olino, Director of Financial Aid, Columbia College, Chicago

"When I entered my undergraduate degree, I went in under Stafford, and I was fortunate enough that I had worked very hard in the summer before school to have enough money to survive for a month or two, because I myself -- my Stafford didn't come through for a couple months. But now when I see the success of direct lending -- we are -- [we have] been very fortunate that it's gone so well.

"You know, these students will come [to the financial aid office] daily to find out if their money is there because it overwhelms their life. ... The disbursement of these [Direct Loans] checks was actually five days after they had turned in their promissory note or less. And their whole lives just were uplifted, and they were able to actually enjoy Illinois State or any institutions overall because the money was no longer an issue."
Brian Szuda, Student and Financial Aid Assistant, Illinois State University

"I've worked through undergrad, but I still accrued over $20,000 in loans for undergrad and graduate school. So when I get out of school ... I'm not going to be able to take a position like I want in teaching ... if they change it [the Direct Loan Program] the way they want to change it."

Paying back the loans as a percentage of income "would really help out. And a lot of people can do the work they enjoy, such as teaching and gerontology, or whatever. "
Vanika Mock, Southern Illinois University

Indiana

25

Ball State University
Earlham College
Goshen College
Indiana University Bloomington
St. Francis College
Valparaiso University

62,748

"We have recently begun our first semester under direct lending and found the program to offer significantly increased service to students, both in ease of processing from the student standpoint and expediency and ease of disbursement. In a recent case, we were able to award a loan, process the prom[issory] note and transfer the loan proceeds to a student's account in a total of 45 minutes, so that he could have a check for books and rent the next day. Our experience to date is that our student satisfaction level is much higher."
Phyllis Schroeder, Associate Director of Financial Aid, Valparaiso University

"17,445 IU students are borrowing $87,929,861 on the Federal Direct Loan Program to pay their 1995-96 academic year costs. The Federal Direct Parent Loan [Program] for undergraduate students is loaning out $15,064,801 to 2,579 parents. They have noticed that this new loan program reduced their paperwork by 90 percent. They have noticed that they are receiving their loan funds five times faster. And you can be sure that they will notice if they have to go back to the Federal Family Education Loan Program if the Federal Direct Loan Program is eliminated."
Susan L. Pugh, Director of Student Financial Assistance, Indiana University

"I've been a graduate assistant at [Indiana] University financial assistance. It's a work-study position. And I've seen how the program works for students, both the Pell and direct lending. ... Direct lending allows schools to provide more efficient services, and its elimination will not serve the larger public. At Indiana University, some borrowers and their families spent a lot of time waiting in lines, fixing problems and putting out fires. In those days, 20 percent of the office staff processed loan paperwork. Now, this same staff is in direct client service, meeting with students.

"The direct lending is substantially less bureaucratic. ... At Indiana University, basically, what you need to do is complete this application, which is very simple. ... One page, that's it. That's it."
Noemi Rivera-Morales, Indiana University

Kansas

16

Dodge City Community College
Kansas State University
Kansas Wesleyan University
Northeast Kansas Area Vocational Technical School

27,135

"We are very happy with this program, it has been good for the students and for the University. Once we had the program in place, it proved to be less work for the Financial Aid Department. We are impressed with the speed of the transmission of data and how fast the students receive their money. The University was cutting checks to the students one day after sending the disbursement information."

Chris Martindale
Director of Financial Assistance
Kansas Wesleyan University, Salina

Kentucky

38

Ashland Community College
Lees College
Lexington Community College
Morehead State University
Paducah Community College
University of Kentucky
Western Kentucky University

46,707

"Direct lending has streamlined our entire operation. We have complete control over every phase of the lending process, corrections, adjustments, all of it, without some of the mistakes and misunderstandings between the school and students. The support from the servicer has been terrific, and the whole implementation and procedure has been smooth flowing."

Carol Becker
Financial Aid Officer
Morehead State University

"Our students are surprised at how quickly they receive their funds and at how easily the entire process is completed. They love having only one application. The business office is amazed at how smoothly the cash flows and has not reported any problems. There have been absolutely no problems so far. ... Our entire experience has been positive."

Chris Tolson
Director of Financial Aid
Lees College

"I am heartened by your Department's obvious commitment to excellent client service, and we look forward to a continuing strong relationship among all the players in the Direct Loan Program."

Robert Laurie
Director of Financial Aid
Kentucky Career Institute

Louisiana

18

Dillard University
Loyola University New Orleans
Southern University New Orleans
Xavier University of Louisiana

31,183

"It is an excellent program. It is an advantage to the students and the Financial Aid Office due to the fast turnaround time in receiving funds. It reduces frustration and anxiety for both the Financial Aid Office and students because of the reduced paperwork and because it does not involve a third party. Students do not have to wait three or four weeks to receive their loans, so it is a 'win-win' situation.

"Paperwork is reduced because of automation, which reduces labor costs in the Financial Aid Office. The automation of the Direct Loan Program has provided easy access to information which previously took days to locate.

"The Direct Loan Program helps financial aid officers plan for future workload. Although I am using the Direct Loan Program only for first-time borrowers, I would have gone 100% Direct Loans this year if I had the funds for additional hardware.

"I hope the Program will be allowed to grow so that it can be judged on its own merits. I rate it as excellent in every way."
Gerald Williams, Financial Aid Officer, Southern University at New Orleans

"The Federal Direct Student Loan Program has provided the Fiscal Office with a very efficient method for processing student loans. We have been able to disburse student loans very shortly after loan authorization is completed. In doing so, we have been able to eliminate many clock hours and tedious manual steps previously required under the other loan programs.

Under the Federal Direct Student Loan Program, funds are easily accessible thorough the ACH/EFT method for drawdowns. We have chosen to drawdown funds after disbursing the loans in order to avoid the appearance of and possibility of excess cash. We have been very satisfied with the promptness in which funds have been transferred to our bank account.

The Federal Direct Student Loan Program has been very positive and beneficial to us. Our cash flow has improved and our students are more satisfied. We strongly urge that the Federal Direct Student Loan Program be continued."
Calvin S. Tregre, Vice President, Fiscal Services, Xavier University of Louisiana

Maryland

31

Bowie State University
Catonsville Community College
Dundalk Community College
Frostburg State College
Hood College
Johns Hopkins University
Loyola College
Salisbury State College
University of Maryland University College
University of Maryland Eastern Shore

63,372

"Direct lending is an effective program for colleges and universities, but most of all for the students. It would be devastating for a program that works so well to be eliminated."
Thomas E. Bellavance, President, Salisbury State University

On cash flow in the Direct Loan Program: "I like the way the money's already in the bank. You don't have to ask for it."

On the Direct Loan Servicing Center: "They've been very helpful, and they return my calls immediately."

International Beauty School has three other campuses, in Maryland and West Virginia, which did not participate in direct lending this year. All of our locations will be using it next year.... We feel very positive about direct lending.... I really would like to see it continue."
Marie Wohlford, Director of Financial Aid, International Beauty School, Cumberland

"The smoothest registration we've ever had! Also, students had the funds they needed to buy books, pay rent and start the year off right. The office has been strangely quiet in October, as we are not spending time tracking down loan applications and checks. We can actually do outreach and counseling instead of paperwork. All because of direct lending... Please don't make us return to the 'old way' of doing business."
Ellen Frishberg, Financial Aid Director, Johns Hopkins University

Maine

6

Colby College
Thomas College
University of Maine Augusta
University of Maine Presque Isle

3,732

"Direct lending has injected honest competition into a monolithic program which was cumbersome, expensive and slow to respond to the needs of our students. It has simplified the process, cut bureaucracy and reduced the cost of educational loans for those who choose to borrow under the Direct Loan Program as well as those who borrow under FFELP. I believe that if Direct Lending is allowed to proceed, market forces will continue to reduce the cost of borrowing for our students, as well as save the American taxpayer a significant amount of money."

Christopher Bell
Associate Director of Financial Aid
University of Maine at Presque Isle

Michigan

47

Calvin College
Ferris State University
Grand Valley State University
Henry Ford Community College
Hope College
Lansing Community College
Marygrove College
Michigan State University
Northern Michigan University
University of Michigan

159,796

"With one-stop shopping, students have been able to obtain their loans in record time. By the end of the first month of school this year, there was a 43 percent increase over 1993 in loans originated and funds disbursed to students."

"The University of Michigan is proud to have been among the first 104 institutions to successfully implement the Federal Direct Student Loan program enacted by the Congress and President on August 10, 1993. We are pleased to help to shape this new initiative which will have a profound positive impact for years to come on the way students and families finance higher education."
James J. Duderstadt, President, University of Michigan

"From our perspective, the key advantage is simply that of institutional control. Our Financial Aid Office now controls the entire loan process. It is no longer necessary to cut refund checks back and forth with a lender. If there is any problem with the loan amount throughout the loan period, we can simply adjust it in-house in an accurate and efficient manner. It is no longer necessary for us to spend hours tracking the loan status of a student. We simply access our direct lending software to determine a student's loan status. We no longer struggle to comply with the various administrative policies and procedures of the various national guarantors and several hundred lenders."

"Why have Hope College and almost 2,000 institutions nationally decided to participate in the Federal Direct Student Loan Program? Our only vested interest is that of securing the finest loan service for our students."
Phyllis K. Hooyman, Director of Financial Aid, Hope College

Minnesota

23

Bemidji State University
Gustavus Adolphus College
Minneapolis Drafting School
University of Minnesota Twin Cities
University of Minnesota Duluth

52,122

"We love direct lending. For the first time ever, we had no lines of students. Everyone had their check. For every valid promissory note we had as of last Friday, we were able to disburse loans on Tuesday. In the past, our staff was required to spend most of their time contacting the guaranty agency to check on the status of loans. This year we spent our time with our students. During a staff meeting, I asked if anyone wanted to return to FFEL and got nothing but laughter in response."

John Schullo
Director of Financial Aid
Bemidji State

"We like the Direct Loan Program because we have more control over when our students get their financial aid. There are no banks or guaranty agencies to wait for to get money."

Jill Riverso
Financial Aid Officer
Minneapolis Drafting School

Mississippi

8

Alcorn State University
Mississippi Valley State University
Tougaloo College
Wesley College

7,862

"Mississippi Valley State University started participating in the William D. Ford Direct Stafford Loan Program in the fall of 1995. We presently process 100 percent of our loan volume through the direct loan program.

"Since participating in this program, we have experienced dramatic decreases in the time that it takes to process a loan. Also, since the students are required to come in and sit down with us in order to sign the note, any problems that they may have can be resolved prior to processing the note. We no longer have to worry about contacting the students to obtain missing or conflicting information. We also use this time to counsel students about loan indebtedness or any other potential problems that they may have as it relates to the financial aid process.

"The electronic funds transfer (EFT) option is also an extra measure of accuracy. We no longer have checks from several different lenders to keep track of. We no longer have to locate students to have them sign loan checks.

"When students call to inquire about the status of their loan, we can give them one telephone number to call. We no longer have to pull files to see what bank was used to obtain a loan before being able to advise the student where to call.

"Students also benefit from this program because of the various repayment options available to them."

Darrel G. Boyd
Director of Financial Aid
Mississippi Valley State University

Missouri

28

Maple Woods Community College
Maryville University
Missouri Technical School
Southwest Missouri State
University of Missouri Kansas City
University of Missouri St. Louis
William Jewell College

74,866

"Direct Loans cut down on this bureaucracy because there is one lender instead of 1,000. ... The Direct Student Loans definitely make the delivery of funds to the students more speedy."

Leonard Johnson
Associate Director of Financial Aid
Missouri University

"I've always been told, 'If you can't say anything nice about someone (or something), then don't say anything at all!' With respect to Direct Loans, I simply cannot remain silent as I have only great things to say about the program. Direct Loans are everything they promised to be. In fact, they are the answer to my students' and institution's needs --they are easy to administer and extremely efficient for both students and institution alike. Direct Loans are incredible!"

Sue Armstrong
Director of Student Financial Planning
William Jewell College, Liberty

Montana

2

Montana State University

10,737

"There is no question that direct lending has brought healthy competition to the loan program resulting in greatly improved service to students and institutions."

Ronald P. Sexton
Chancellor
Montana State University, Bozeman

"Direct lending has vastly improved the service to students. Students, as well as staff, have been extremely satisfied with the system and we believe that it would be a move backwards if the program were curtailed.

James R. Craig
Director of Financial Aid
Montana State University, Bozeman

North Carolina

31

Bennett College
Fayetteville State University
Guilford College
St. Augustines College
University of North Carolina Asheville
University of North Carolina Charlotte
Western Carolina University

41,399

"Western Carolina University is a year-two Direct Loan School. It has been a very positive experience. We delivered over a half million dollars more to students at the beginning of fall semester than ever before."

Thomas Grant
Director of Financial Aid
Western Carolina University

Nebraska

11

Chadron State College
Dana College
Midland Lutheran College
University of Nebraska Lincoln
Western Nebraska Community College

25,132

"In our first year of the Direct Loan Program, we are doing freshman only, which gives us an opportunity to compare direct lending with FFELP. We found Direct Loans to be simpler to administer because there is less paper work involved and processing is faster. We have found the servicer to be readily accessible and efficient. If we have had any problems in bringing up direct lending, it is with our student information system software."

John Beacon
Director of Scholarship and
Financial Aid
University of Nebraska-Lincoln

New Hampshire

4

Daniel Webster College
McIntosh College

3,881

"The financial aid office at Michael's School of Hair Design is pleased to report the Federal Direct Student Loan Program [is] running very smoothly since inception in July 1995. The loan process is quick and uncomplicated, a benefit for staff as well as students. All counseling videos and materials are well-produced for quality presentation to Direct Loan borrowers. The variety of repayment options are advantageous for the diversity of borrowers entering repayment. To date, we are quite content with our decision to participate in the Federal Direct Loan Program."

Cynthia Dyck
Financial Aid Director
Michael's School of Hair Design

New Jersey

48

Burlington County College
Jersey City State College
Kean College of New Jersey
Mercer County Community College
Ramapo College of New Jersey
Rutgers, The State University of New Jersey
Seton Hall University
Trenton State College

73,918

"Direct lending is hugely popular with students. It has, in fact, dramatically reduced the time and effort it takes to receive a loan. It is hugely popular with the administration in that student service has been enhanced and complaints reduced. It has also been enthusiastically received by the fiscal side of the administration. ...In sum, the direct lending project is one of the finest available examples of how the intelligent use of computing resources can more efficiently serve the needs of the University community."

"Direct Loans has resulted in a 65 percent reduction in overtime at Rutgers and a 50 percent reduction in telephone calls from students with questions about their aid packages."

Stephen Rouff
Director of Financial Aid
Rutgers University

"I'm very impressed with the Department of Education staff, their helpfulness, and their grasp of the subject. They've all demonstrated enthusiasm for the project that is going to rise with the increase in volume. I think that they will rise to the occasion."

Robert Mc Bride
Director of Financial Aid
Jersey City State College

New Mexico

7

New Mexico Junior College
University of New Mexico
Western Business Institute

15,681

"The Direct Loan Program is a success at the University of New Mexico. It has simplified the process for students to apply for loans. It has made a significant difference in getting money to students quickly. The ease of administration has been a great benefit for the institution. The Department of Education training for the Direct Loan Program and the response from the servicer have been excellent."

Joe Martinez
Assistant Financial Aid Director
University of New Mexico

"I have handled the cashiering operation at the University of New Mexico for the past 10 years. The decision to go with Direct Loans was made because of the problems the University was having in getting loans to students. UNM wanted to simplify the process and have everything under one lender. Direct Loans accomplished this and allowed UNM to streamline the whole loan process. It has made a difference in the attitude of students and allowed them to get their money more quickly. During the fall semester, 900 students a day went through the cashiering system without problem. Lines were very short. The Bursar's Office will be able to reduce the number of hours they are open in the evening. There has been a cost savings for the University with a reduction in staff that will save taxpayers money. The Direct Loan Program has cut down processing and has limited the possibility of fraud by eliminating the need for checks. In the 10 years I've been with UNM this is the easiest processing has been. I have had great response from everyone involved in Direct Loans and am very positive about the program."

Leo Moya
Bursar
University of New Mexico

Nevada

5

University of Nevada Las Vegas

7,887

"During entrance interviews students who were used to getting FFEL loans were relieved not to have to worry about having their loans sold, now that they have Direct Loans."

"It seems to mean more to them to be borrowing from the Federal Government than from a bank."

"It's a big deal for students to borrow. The less complicated it is, the better for the consumer."

"From the institutional point of view, there is no more work with Direct Loans than before, but the control that you have is empowering."

Peter Hurley
Assistant Director of Financial Services
University of Nevada

New York

84

Clarkson University
College of New Rochelle
CUNY Borough of Manhattan
CUNY City College
CUNY Medgar Evers College
Fordham University
Julliard School
New York University
Schenectady County Community College
SUNY Buffalo
SUNY College Brockport
SUNY College Cortland
SUNY Mohawk Valley Community College
University of Rochester

224,475

"With our first year of experience in direct lending behind us, I can say confidently that this is a system that works. It is more efficient for us, far better for the students than the previous process and saves the taxpayers a significant amount of money."

John Van de Wetering
President
SUNY College at Brockport

"I understand that there is an issue of budget in all of these negotiations. However, our purpose is to serve students. For us that is the Direct Loan Program. For others, it may be the FFELP. ... However, there is one fact that neither side can deny: Competition between the two programs has been good for all parties involved. There has been significant improvement in FFELP, and the government and participating schools have had to work hard to make the Direct Loan the success it has been. This is the message that we need to send to Congress."

J. Scott Atkinson
Director of Financial Aid
SUNY College at Brockport

Ohio

47

Bowling Green State University
Case Western Reserve University
College of Wooster
Cuyahoga Community College
Denison University
Devry Institute of Technology
Kent State University
Ohio Auto Diesel Technical Institute
Ohio State University
Ohio University
Ohio Wesleyan University
University of Toledo
Wilberforce University

158,663

"The program works like this: A student applying to college fills out one application for financial aid, and that also serves as a loan application. If approved, a loan is deposited electronically in a student's name in an account at the college, reducing processing time and eliminating paperwork and checks. ... Under the old system, this would have been the week to do those things. Some students would have been in the financial aid office last week ... spring break ... fretting over their loan checks. It's wonderful. We now control the work flow instead of the work controlling us."
Carolyn Sabatino, Director of Financial Aid, Ohio University

"I have, for many years, understood the need for a balanced federal budget and have voted accordingly in the past. I am an opponent of bureaucratic waste, typified by the redundant functions of many federal programs, and believe that, in general, private entities can more efficiently and effectively offer services. These beliefs have been challenged by the activity of the direct lending agents. The product delivered by this conglomerate, the Task Force, the Servicers, School and Borrower Relations, et al., is significantly better than the service rendered by FFELP lenders and guarantors. The application process is simpler, the funds are delivered more quickly and with fewer problems, and problem resolution, when necessary, is greatly improved. An objective measure of the success of this program is the number of schools which have tried it and decided against it. To my knowledge, this number is zero. No one who has tried it has decided to stay with the 'old' FFELP program."
Jonathan R. Green, Associate Director of Financial Aid, Ohio Wesleyan University

"I hope this means no more lines. ... I can't see any negatives. There were a lot of start-up costs in systems development, but we are saving other kinds of costs. I am confident it will be one of the best things we've ever done for our students."
Michelle Nemes Meeker, Assistant Director of Financial Aid, Ohio State University

Oklahoma

5

Langston University
Oklahoma State University
St. Gregorys College

20,976

In a letter to President Clinton, Gary Garoffolo wrote: "As you pointed out in your speech at SIU-Carbondale, students and institutions are well served by the Direct Loan program. It represents an efficient, cost effective means to provide loan capital to needy students and parents. I have grown weary of the budget 'scoring' debate in congress. A banking friend of mine who has been in the student loan business for years, stated the case against direct lending quite succinctly. 'It works.' The elimination of this program would serve various entities with financial interests well, but not students and their parents."

Gary Garoffolo
Assistant Director of Financial Aid
Oklahoma State University

"All that I have heard has been positive. I was concerned about whether we could monitor this program effectively, but everything that I have heard from others in the program indicates that we could."

Yvonne Maxwell
Director of Financial Aid
Langston University

Oregon

17

Eastern Oregon State College
Pacific University
Portland State University
University of Oregon
Western Baptist College

49,549

"Direct Lending at the University of Oregon is a resounding success story. We have been able to provide a much higher level of service for our students and their families with fewer staff members. Our ability to deliver funds to students in a timely and efficient manner has improved dramatically with the implementation of this program. Direct Lending is supported wholeheartedly by the entire University, and we believe it is the most significant improvement in Student Financial Aid in the last 29 years."

Edmond Vignoul
Director of Financial Aid
University of Oregon

Pennsylvania

71

Cheyney University of Pennsylvania
Geneva College
Lehigh County Community College
Lincoln University
Messiah College
Valley Forge Military Junior College
York College of Pennsylvania

58,469

"I urge the Congress to allow the direct lending program to continue and to allow schools the choice of which program they will participate in.

"Although I think the argument over which program is cheaper has gotten to the point of being ridiculous and I think that the focus of this discussion should be directed more toward which program works better and what is fair to the institutions that have made a commitment to the Direct Loan Program, I do want to say that no one has shown me any data that proves that the FFEL program is cheaper. It is widely believed that the CBO study which led to this conclusion did so only because the study was done using assumptions dictated by certain Congressmen who want to see the program ended. Everyone knows that the CBO director alluded to this in her remarks concerning the study. Based on the knowledge that I have, I would have to agree with that belief. Logically, how can a program which cuts out middlemen who receive millions of dollars in payments be more expensive?

"With that said, I think that the Congress has a commitment to allow currently participating institutions to continue that participation (with adequate administrative support from the Department of Education) and I believe that the Direct Loan Program will be much better for both students, schools, and the American taxpayer. Shedding the frustrations of dealing with the multiple lenders and burdensome paper processes has been a great relief for our institution.

"Please give the program a chance."

Greg Gearhart
Director of Financial Aid
Messiah College

Puerto Rico

32

Inter American University of Puerto Rico, San Juan
Pontifical Catholic University
University of Puerto Rico, Mayaguez
University of The Sacred Heart

28,200

"Direct lending is designed to better serve students. We are pleased to be participating as a Year Two Direct Loan school."

Hernan Vazqueztell
Director of Student Financial Aid
University of Puerto Rico

Rhode Island

8

Brown University
Providence College
Rhode Island School of Design
University of Rhode Island

17,855

The University of Rhode Island states that the Direct Loan program has been "... a tremendous help in providing service to our students by facilitating the disbursement process and enabling the timely delivery of funds. The Direct Loan Program enables us to make changes very quickly to accommodate ever-changing student needs."

Harry Amaral
Assistant Dean
Director of Financial Aid
University of Rhode Island

South Carolina

16

Benedict College
Citadel South Carolina
College of Charleston
Greenville Technical College
Trident Technical College

23,316

"As a year-one, and now a year-two school, we're very happy with direct lending. We find the program to be very beneficial for students and the institution. In the short term, students can get funding when they need it. The direct lending program also addresses long-term concerns we've had about the old FFEL Program. Students were not getting the level of responsiveness from lenders they needed and deserved. Loan paper could be sold numerous times. Students could never be certain who to contact about their loans. Under direct lending, loan paper is never sold. Students can call one number regarding their repayment status. They can call our financial aid counselors and we can actually help them solve problems related to their loans, rather than spending our time tracking a loan through a paper trail to determine the current holder of the loan. Our counselors actually have more time now to help students.

"The College of Charleston is extremely pleased with the success of direct lending for our students and would highly recommend the program to other institutions."

Donald Griggs
Director of Financial Aid
College of Charleston

Tennessee

14

Fisk University
Lane College
Memphis State University
Middle Tennessee State University
Motlow State Community College
Tennessee State University

31,994

"We are very excited to be in the Direct Lending program. It is an excellent program for all of our students."

Wilson Lee
Director of Financial Aid
Tennessee State University

"I love the program. ... The level of service we have received is excellent, and the turnaround time is even better than we expected."

Ed Kilgour
Director of Financial Aid
Motlow State Community College

Texas

54

Galveston College
Houston Baptist University
Prairie View A & M University
San Antonio College
Southwest Texas State University
University of Dallas
University of Texas Tyler

76,157

"It is rare that the federal government creates a program that both saves money and improves services to its constituents. Direct lending is such a program...."

"When the direct lending program was announced, we eagerly applied to be in the first group of institutions to implement the program, hoping that the reduced complexity would allow us to meet the needs of our students in a more timely fashion. The results have more than met our expectations. We have gone from an institution that was scrambling to meet our students' needs, often after classes had started, to an institution that was one of the first in the state to get awards out last fall. So early, in fact, that it had a positive effect on our admissions program."

Jerome H. Supple
President
Southwest Texas State University

"Quite honestly, I was skeptical as to the Department of Education's abilities to deliver. ... I am delighted to say that I have been proven wrong."

Mariko Gomez
Director, Student Financial Aid
Southwest Texas State University

Virginia

41

George Mason University
Hampton University
Norfolk State University
Northern Virginia Community College
Old Dominion University
University of Virginia
Virginia Military Institute
Virginia Polytechnic Institute

105,267

"I can say that as a year-two school we have seen drastic improvement in our service to students, and they will suffer not only from the proposed cuts (financially) but from us having to revert back to FFELP (service) if it comes to that, not to mention the blow to our sanity to just be figuring out one system to have to start back to revamping one that did not work for us before...."

Gary Brewer
Director of Financial Aid
Virginia Polytechnic Institute &
State University

Vermont

6

Middlebury College
University of Vermont & State Agricultural College
Vermont Technical College

14,603

"Instead of telling us how to administer the program in excruciating detail, Department officials have consulted us about what works best before issuing arbitrary regulations. Instead of mandating procedures for all different types of institutions, the Department has given us a range of administrative options to best serve the unique needs of our own student populations. Whenever we experienced a processing glitch during our first year of participation, the Department's Direct Loan Task Force and the federal processor have been prompt and effective in their responsiveness. Far from being an albatross that hangs over us, the Department has been a cooperative partner in this enterprise."

Donald M. Honeman
Director of Financial Aid
University of Vermont

Washington

15

Central Washington University
Spokane Community College
University of Washington
Western Washington University

51,110

"After two full quarters in the Ford Federal Direct Student Loan Program, the University of Washington is convinced that our early support for direct lending was more than justified. Earlier disbursement of Direct Loan proceeds resulted in other efficiencies at the UW. We saw a drop in the number of students requesting short-term emergency loans, and we were able to process an ever increasing number of Stafford/PLUS loans with reduction in staffing. The Direct Loan Program works."

Judith Fingar
Chief Fiscal Officer
University of Washington

At the University of Washington in Seattle, officials say that by the beginning of classes last fall, students had three times as much money in hand as they did the previous year under FFEL. "The money flows faster," said Eric Godfrey the school's Assistant Vice President of Student Affairs and Financial Aid Director.

Wisconsin

20

Lawrence University
Marquette University
Ripon College
St. Norbert College
University of Wisconsin Eau Claire
University of Wisconsin Superior

40,450

"We surveyed students this year who were recipients of a Stafford bank loan last year and received a Direct Loan this year. The results were that only 12 percent of the students preferred a Stafford bank loan over the Direct Loan."

Robert Sather
Financial Aid Director
University of Wisconsin-Eau Claire

West Virginia

18

Bethany College
Bluefield State College
Glenville State College
Marshall University
West Virginia University
Wheeling Jesuit College

36,115

"The Direct Loan Program has been working extremely well for the students as well as the schools. Having only one agency to deal with has taken much burden off of all participants."

Karen Lay
Financial Aid Administrator
Glenville State College

"West Virginia University was one of the year-one institutions in the Direct Loan Program and has the honor of being the first school to disburse a Direct Loan to a student borrower. We entered the Direct Loan Program with the belief that we would accomplish the following:

1. Simplify the process of applying for loans for our students
2. Deliver loan proceeds to students in a more timely fashion
3. Uncomplicate the repayment process for our students
4. Ease the administration of the student loan process for institution

We have not been disappointed. All of the above has been accomplished and both the students and the administration are extremely pleased with the results. Our students spend far less time in our office or on the phone trying to locate their loan proceeds from commercial lenders and more time in class and studying than they did two years ago when we participated in the FFEL Program. Direct lending has proven to be a much more effective delivery system for the 10,000+ student borrowers at West Virginia University. Simply stated -- **WE LOVE IT!!!!**"

Brenda S. Thompson
Associate Director of Financial Aid
West Virginia University

DIRECT LOANS WORK FOR STUDENTS, SCHOOLS AND TAXPAYERS

MISSISSIPPI

FINANCIAL AID ADMINISTRATORS' QUOTES

"Mississippi Valley State University started participating in the William D. Ford Direct Stafford Loan Program in the fall of 1995. We presently process 100 percent of our loan volume through the Direct Loan program.

"Since participating in this program, we have experienced dramatic decreases in the time that it takes to process a loan. Also, since the students are required to come in and sit down with us in order to sign the note, any problems that they may have can be resolved prior to processing the note. We no longer have to worry about contacting the students to obtain missing or conflicting information. We also use this time to counsel students about loan indebtedness or any other potential problems that they may have as it relates to the financial aid process.

"The electronic funds transfer (EFT) option is also an extra measure of accuracy. We no longer have checks from several different lenders to keep track of. We no longer have to locate students to have them sign loan checks.

"When students call to inquire about the status of their loan, we can give them one telephone number to call. We no longer have to pull files to see what bank was used to obtain a loan before being able to advise the student where to call.

"Students also benefit from this program because of the various repayment options available to them."

Darrel G. Boyd
Director of Financial Aid
Mississippi Valley State University

DIRECT LOANS WORK FOR STUDENTS, SCHOOLS AND TAXPAYERS

PUERTO RICO

FINANCIAL AID ADMINISTRATORS' QUOTES

"Direct lending is designed to better serve students. We are pleased to be participating as a Year Two Direct Loan school."

Hernan Vazqueztell
Director of Student Financial Aid
University of Puerto Rico