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PREPARED TESTIMONY FOR THE RECORD of the:  
HOUSE SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE TRAINING  
Offered by Mark Bandré, Vice President for Enrollment Management and Student Affairs  
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### **Introduction**

Good morning Madam Chair and other distinguished Committee members. I first want to thank you for the opportunity to present testimony before this Committee. My name is Mark Bandré and I am Vice President for Enrollment Management and Student Affairs at Baker University —a private not-for-profit institution serving 3700 students in Baldwin City, Kansas. This morning I offer you the perspective of the transition to Direct Loans from a small institution. I will also address some areas of concern that remain. Having served at five private colleges and universities since 1989, I particularly value the chance to share information that has the potential to improve service to those pursuing higher education.

### **Prior to Direct Loan Mandate**

Prior to my appointment at Baker University in June 2010, I served as Director of Financial aid at Hendrix College, another small school in Conway, Arkansas. Because I was still serving at Hendrix when the Direct Loan mandate was signed into law, I am able to share experiences from both institutions.

First, I would like to address my experience at Hendrix. Hendrix's student loan volume had always been through the Federal Family Education Loan, or FFEL, program; however the institution welcomed the opportunity to add the Direct Loan program as a choice for students. Beginning with the Fall 2009 semester, and prior to the mandate, Hendrix added Direct Loans as a student lending option for all new borrowers. Interestingly, only four students out of over 200 new borrowers that semester chose Direct Loans. Through working with those students, the financial aid, business office, and registrar staff at Hendrix were able to learn how the Direct Loan process worked. The software used at Hendrix at the time (PowerFAIDS, a product offered by the College Board) was not particularly compatible with administering Direct Loans so there were numerous learning curves, even for a small number of students.

In June 2010, I accepted the position at Baker University. Prior to my arrival, Baker's financial aid and business offices had agreed to delay their transition to Direct Loans until there was clear direction from Congress. Staff based this decision on experience with past financial aid legislative and regulatory changes that resulted in a great deal of time and effort in order to comply, only to have the decision reversed shortly after implementation. When it became clear the decision would stand, Baker rapidly moved forward and learned the Direct Loan process in

order to ensure timely service to students. The software in place at Baker, known as CampusVue, was efficient in enabling the transition.

### **The Transition and Implementation Process**

Although Hendrix and Baker began the Direct Loan transition process at different times, both schools experienced similar challenges related to service from the Department of Education and respective software providers. For example, colleges and universities are extremely reliant on selected companies to provide the software necessary to process aid and conduct business. Of course, software providers also need time to implement changes mandated by legislation or regulation and at the time we needed help with Direct Loan transitions most software providers were busily working out how to manage the new year-round Federal Pell Grant regulations—a provision of the Pell program that, two short years later, no longer exists. As a result, for much of the 2010 spring and summer a great deal of energy went into trying to make both programs work. I would like to share with you more detail on how this process unfolded at Baker.

Prior to the Direct Loan transition Baker processed over \$15,000,000 annually in FFELP Stafford and PLUS loans for approximately 3,000 students. Converting to Direct Loans for our traditional programs in less than six months was an educational challenge for our new and current students in that we had to teach them about the new process in a short amount of time. On the other hand, our non-term programs have multiple class starts, different loan periods and disbursement dates, and numerous schedule changes, all of which led to significant manual review and necessary adjustments by financial aid staff in order to accommodate new promissory notes, make sure disbursement dates complied, etc. Because new student cohorts start each month, and some students' enrollment periods went past September 30, we were literally doing twice the work, by processing both a FFEL and a Direct Loan for a period of time that in the past was covered by just a single FFEL loan.

This effort did require significant investment. From the administrative side, I'd like to offer the following estimates related to the Direct Loan transition:

- Six staff members participating in four Direct Loan webinars
- Three staff members participating in four conference Direct Loan set-up calls
- Approximately 8 hours per week were spent over 11 weeks developing procedural changes and consumer information
- Getting the office set up with Department's Direct Loan component of Common Origination and Disbursement or COD process
- Developing and distributing student and parent application process instructions to both new and current students and parents
- Updating catalog copy and web sites
- One staff member attended a Direct Loan conference in St. Louis

- Two staff members attended state conference for sessions on Pell and Direct Loan changes
- Working with IT on testing our system and the communication flow with COD
- Pending work – re-awarding hundreds of students in the non-term programs with Direct Loans to complete their academic year funding.

The Department of Education assigned the financial aid office with a contact person who was to assist Baker with any process-related questions or concerns. After working with the contact person through early phases of the transition, we soon realized it was not feasible to wait for the contact person to provide answers to our questions. Instead, Baker contacted its software provider to inquire about schools that had already completed the testing and transition process. Thankfully, such a school existed, and their financial aid staff cooperated with us in order to solve a number of problems. While we believe the Department had good intentions by assigning a specific contact person, their availability was limited based on the number of schools transitioning; there is no doubt that working with colleagues at other schools is what enabled Baker to complete the transition successfully.

While I left Hendrix before full implementation to Direct Loans, former colleagues shared with me that throughout the 2010-2011 academic year, they encountered numerous problems with software and inability to get files through to COD. They attribute portions of this to issues on the PowerFAIDS software end while others stemmed from inability to obtain helpful answers from their assigned Department contact. It seems the frustrations centered on problems with accumulating and sending needed files. In the current 2011-2012 award year, my Hendrix colleagues believe Department officials are much more knowledgeable about the process.

### **Suggested Improvements**

Obstacles do remain and there are several ways that the Direct Loan program could be improved. For example, borrowers use a Direct Loan web site, studentloans.gov to complete a promissory note and complete loan counseling. The web site needs to be more user-friendly and clearly direct borrowers to each required task. We see too many students who unknowingly complete either a promissory note or entrance counseling, but not necessarily both even though both are required before they can receive a Federal Stafford Loan. The system needs to require both promissory note and counseling once a student commences the sequence.

I am happy to report we experienced no disruption in loan availability to our students either during or after the transition. The Direct Loan program is working. However, it is also correct to report that Baker financial aid staff now spends more time trying to help students track down and understand the details of their loans than was previously the case. We are now doing most of the work that customer service representatives used to do at the banks and guaranty agencies. It is my observation that under the FFEL program, lenders and guarantors would help borrowers even when the loans had been transitioned to another lender or servicer. We're finding an increasing number of borrowers with loans mixed between the two programs coming

back to us to help them track down loan records. It would be helpful if all servicers were able to provide comprehensive information on a student's loan so students would not need to call multiple agencies to try and track down important loan information.

Despite the lack of competition that often drives innovation, we hope the Department of Education continues to seek out ways to improve service to students. Thank you for holding this hearing and for the opportunity to participate.