

February 20, 2009

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«GreetingLine»

On behalf of the Oklahoma Association of Student Financial Aid Administrators (OASFAA) we are requesting that the impending implementation of a state by state auction for the purpose of funding the Federal Parent Loan for Undergraduate Students (PLUS) be ceased immediately. Our association members, from over 80 public and private institutions, believe that the prescribed auction process will greatly disadvantage Oklahoma students and their families. The major problems with auction are as follows:

- 1) Parents will not be able to complete an application or have a lender choice until a few weeks prior to the beginning of the fall term. The auction process will not be completed for 2009-10 until mid or late summer. Aid professionals encourage early application and planning and most parents have already begun to explore their options to pay for their student's education. If a parent applies with a lender before the auction and that lender is not one of the approved lenders, the parent may be required to reapply with an additional credit check, which may harm their credit rating.
- 2) Parents may have multiple lenders and servicers adding to confusion and burden in repayment. Under the PLUS auction legislation, a parent will be required to borrow from the lender approved for the state in which his/her child is attending school, not the state in which the parent lives. Many parents take out loans for multiple children, who may go to schools in different states.
- 3) If a parent applies with a lender before the auction and that lender is not one of the approved lenders, the parent may be required to reapply with an approved lender which would require an additional credit check, which may have a detrimental effect on the parent's credit rating.
- 4) Many parent borrowers have an ongoing lender relationship and would prefer to do business with their lender of choice.
- 5) A parent borrower may have a PLUS loan with one lender and the student may have a Federal Stafford loan with a different lender, adding to confusion in repayment. It is our experience that families, in planning and choosing lenders, opt to utilize the same lender.
- 6) The timing of the auction process will force many applications to be received in the late summer timeframe. This will certainly cause delays in the application, certification, and disbursement process and will result in delays in accessibility for both bill payment and receipt of funds.

7) Schools may not be able to quickly change business processes if the lenders chosen through the auction have different operational methods for certification and transmission of loans. Again, this could cause major delays if the PLUS Auction bids are awarded in late summer. For example, many schools may not have an automated setup with certain lenders, and this will cause proven and efficient processes currently in place to be forcibly replaced with a manual/paper process. This manual process will be evident through the application process, the promissory note process, the certification of information by the school to the lender, the disbursement of funds to the school, and the institution having to mail out said funds and in many instances, families having to endorse and return the paper check back to the institution for further manual processing. The forced model placed upon schools will, bottom line, yield in the late disbursement of funds.

8) The PLUS process that is currently in place works very well and our preference is that it not be changed at all. The auction introduces too many points of confusion and disadvantage for Oklahoma students and parents. The cost savings of having the PLUS program funded through an auction no longer exists, especially due to the recent cuts in lender subsidy as enacted through the College Cost Reduction Access and Affordability Act.

9) The auction method strikes at the very heart of consumer choice. While the intent may have indeed been one to pass on savings to families, this lack of shopping for the best rate with parent borrowers, combined with the economic woes we currently face, further places a burden on families at the most inopportune time.

10) Many of the lenders, due to reduced subsidies placed upon them by Congress, are opting not to apply. Their business model is one that yields miniscule profits (if any) and has forced these lenders, who for years have been at the forefront of offering loans to families, in the regretful position of having to turn away from this application process.

Based upon the points above (and other unintended consequences yet to be revealed), we again request that the impending implementation of a state by state auction for the purpose of funding the Federal Parent Loan for Undergraduate Students (PLUS) be stopped.

If you have questions or concerns about this request, please contact me at (405) 717-4336.

Sincerely,

Andrew Hammontree
OASFAA President