

BLUEGRASS STATE

KASFAA

Newsletter

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A Message From Our President: Michael D. Morgan

The Kentucky Association of Student Financial Aid Administrators, Inc. (KASFAA) depends on its members for support, ideas and future leadership. To ensure the long-term stability of the organization, we must capitalize on the increased interest in the association. In order to "Strengthen the Membership," we must focus on four areas: education, communication, initiation and collaboration. The benefits of this approach will not only build strong leadership in the association, but will increase the base of members who will be available to support service projects endorsed by KASFAA.

October 24th – 26th, KASFAA held its fall conference, "KASFAA - Your Keys to Success." In an effort to nurture its new membership, the conference began with a New Members Welcome and Partnership Program. We had 26 new members participate in this program that matched them with mentors. Liza Bruce from Educational Credit and Management Corporation was the opening speaker of the conference. Ms. Bruce gave an inspiring presentation on her life and her work with diversity relations. She spoke about diversity and compassion and reminded us diversity is not about race, it is about people. Sessions included, but were not limited to, Professional Judgment I and II, Conflict Management, Federal Issues, Adoptive and Foster Care Statutes, E Signature and the Basics of Awarding Campus-Based Aid. KASFAA has also had the privilege of drawing strong presenters from the Department of Education including, Greg Martin, John Pierson and Woody Mason, as well as incredible guest presenters such as, Peg Creech, Ivy Tech State College, IL.; Fawn Conley, Cabinet for Families and Children; Janice Thomasson, Murray State University; and Dr. Tim Todd, Murray State University. Chris Tolson and the program committee provided an informative, well-rounded conference to the 267 members in attendance. You can find more about our conferences on our website www.kasfaa.com. The spring conference will be April 17-19, 2002 at the Executive Inn- Rivermont, Owensboro, KY.

The University of Kentucky hosted the NASFAA Fall Training session on Policies and Procedures on November 13th. Through the direction of Lynda George, the Professional Development committee and the support of the Kentucky Higher Education Assistance Authority, KASFAA can boast record attendance at this important training opportunity.

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More than 650 high school guidance counselors attended the Kentucky Counselors Workshop "Access to Success" from November 1st to November 16th. At each of the nine locations across the state, attendees received a presentation on: "Changes in Free Application for Federal Student Aid," "College Admissions Assessments" and a "Federal Programs Update." Rhonda Swim, Tim Rhodes, and Lissa Caldwell do an outstanding job of coordinating this project.

KASFAA has a growing list-serve of over 250 members regularly exchanging ideas and financial aid policies. The association has made great strides over the past several years in web design under the direction of Jennifer Cosens. To find the latest information about KASFAA go to www.kasfaa.com.

In January, KASFAA and Kentucky Educational Television will team together to produce, the tenth annual "Student Financial Aid, 2002." This "live" financial aid call-in show, featuring four distinguished panelist from the financial aid community, is designed to answer basic questions about the financial process, including grant and scholarship opportunities. In the past, we have gotten calls from Tennessee and Ohio as well.

February 10, 2002 is the date chosen for the second annual "Kentucky College Goal Sunday Event." This one-day event provides statewide assistance to students and parents in completing the FAFSA. Our purpose as financial aid administrators is to promote "opportunities, equity, and access in and to higher education." College Goal Sunday is a chance for us to put this mission statement into action. In the inaugural year of 2001, approximately 1000 individuals attended one of the thirteen workshops; that number will likely double this year.

KASFAA continues to explore alliances with organizations with similar missions, including professional organizations and associations whose mission is "to serve the parents and students of the commonwealth and encourage their pursuit of higher education." Partnering with agencies and corporations such as the Kentucky Educational Television, the Lumina Foundation, Kentucky Higher Education Assistance Authority, Kentucky Department of Education, ACT Assessment Services and the Kentucky Association for Secondary and College Admissions Counseling has allowed our state organization to provide quality education and informational opportunities to our members and students for which we strive to serve.

As you can tell, I am really excited about the work KASFAA has continued to do as a professional organization. Visit our website, ask questions to the list-serve and be a part of one of the many opportunities KASFAA provides.

Editorial Note

The KASFAA Newsletter is published three times a year for distribution to members and friends of the association.

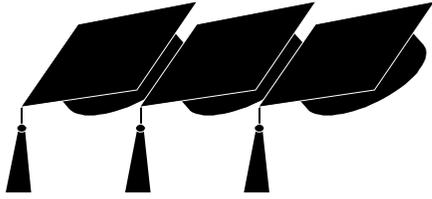
Advertisements, articles and items of interest are gladly accepted and can be given to any member of the newsletter committee. Contact the editor for rates and/or insertion dates.

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The KHEAA Korner

New Executive Director

Dr. Joe L. McCormick was appointed Executive Director and Chief Executive Officer of KHEAA and KHESLC effective October 1, 2001. Dr. McCormick most recently was Vice President for National Affairs for the Apollo Group, Inc., of Phoenix, Arizona. Prior to that he was Chair of the Direct Loan Task Force, Acting Director of the Guarantor and Lender Oversight Staff, and Special Assistant to the Deputy Assistant Secretary of the U.S. Department of Education (USDE).

Director of Loan Policy Services

Robin Thomerson was appointed Director of Loan Policy Services effective August 16, 2001, to fill the vacancy created by the retirement of Jane Stewart. Robin previously served as assistant to KHEAA's General Counsel and performed branch manager duties in the Policy and Client Services Branch.

Other New Staff

David Lawhorn has been appointed Student Financial Assistance Advisor to oversee the Kentucky Education Savings Plan Trust and Early Childhood Development Scholarship.

Debra Smith and Jill Carney received promotions in the Origination Services Branch. Debra is responsible for the oversight of the loan application and disbursement processes; Jill is responsible for the oversight of technical support and customer service. Debra and Jill can be contacted at 1-800-564-6068.

Jaime Schneble and Teri Mason have joined the Origination Services staff and assist with loan processing and answering the Origination Services toll-free status line.



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Joint Board Meeting

The KHEAA and KHESLC boards of directors will meet on Wednesday, December 12, at 9 a.m. at the Marriott East in Louisville.

Legislation

Representative Mike Cherry, a member of the Interim Education Committee, has prefiled a bill for the 2002 General Assembly that would permit a student who is a Kentucky resident but attends an out-of-state high school while his or her parent or guardian is serving in the United States military to qualify for Kentucky Educational Excellence Scholarship (KEES) awards.

The KHEAA board of directors has approved legislative proposals covering the following:

- Amend the definitions of “business school” and “vocational school” in KRS 164.740 (to reflect changes in the names of accrediting bodies) and the definition of “college” in KRS 164.785 (to reflect legislative sentiment that accrediting bodies must be approved by USDE).
- Amend KRS 164.7891 to provide for incremental repayments for students who do not fulfill the requirements of the Osteopathic Medicine Scholarship program.
- Amend KRS 164.753 to (1) delete the state reserve requirement on the Loan Guarantee Fund and (2) exempt the Early Childhood Development Scholarship from conditions imposed on scholarships by KRS 164.753 such as measuring superior academic ability or achievement and ensuring that scholarships are awarded to full-time students.
- Amend KRS 164A.350 and KRS 164A.370 to make technical changes within the KESPT statute to correspond with reference changes made by the 2000 General Assembly. Additionally, technical changes are being proposed due to the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001, which provides a federal tax exemption on earnings for Qualified Tuition Programs (QTPs). The new law deletes the requirement that QTPs charge a refund penalty on nonqualified withdrawals and replaces it with a 10 percent tax penalty. KRS 164A.350 requires the board to charge a refund penalty on nonqualified withdrawals. The amendment proposes to revise the language to say that the board *may* charge a refund penalty on nonqualified withdrawals to prevent double penalization of KESPT account owners who make such withdrawals.
- Amend KRS 164.7874 to define “base scholarship amount” for KEES as that amount earned by an eligible high school student in each academic year of high school enrollment determined by the grade point average that the high school awards and reports at the end of the academic year.
- The amendment will also clarify the definition of “eligible high school student” as a student

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who receives a substantial portion of instruction at an eligible high school in an eligible curriculum. The amendment requires the student to be enrolled in a Kentucky high school for at least 140 school days (out of the required minimum 185-day school year) and be enrolled in the school at the end of the academic term.

Counselor Survey

- On a recent survey sent with the *Counselor Connection*, high school and TRIO counselors were asked to rate the usefulness of KHEAA publications on a scale of 1 (not useful) to 5 (very useful). The weighted averages of respondents through the end of October were:
 - *Getting In*—4.9
 - *Affording Higher Education*—4.6
 - Success Through Educational Planning booklets—4.6
 - *KEES* brochure—4.9
 - Posters featuring KHEAA publications and programs—4.2
 - *Counselor Connection*—4.7
- 84% are aware that KHEAA outreach coordinators are available to exhibit at college fairs or make presentations to students/parents.
- 98% say their students are aware of KEES.
- As a result of the KEES program:
 - 93% believe students are making an effort to improve their grades.
 - 91% believe students are actually improving their grades.
 - 92% believe students are making an effort to improve their ACT (or SAT) scores.
 - 79% believe students are actually improving their ACT (or SAT) scores.
 - 94% believe students are deciding to attend a Kentucky higher education institution.
- 81% use KHEAA's Web site for KEES information.
- 89% refer others to KHEAA's Web site for KEES information.

News From Around Kentucky

Anthony Bowles of Western Kentucky University and **Heather Boutell** of Bellarmine University were selected as instructors for the New Aid Officer Workshop for SASFAA.



Kelly Mervar is the New Account Executive for Wells Fargo in Kentucky. Kelly can be reached at:

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June Eiseman will retire as Director of Financial Aid at Asbury Theological Seminary December 31, 2001. She has been a member of KASFAA since September, 1987 and touts her association with the KASFAA membership as one of the highlights of her financial aid career. According to June, “the friendships, fellowship, and professional support I have received from you gracious people have made this a wonderful journey and will be what I remember when I look back. I want to express my sincere thanks to the KASFAA membership, past and present, whose lives have so impacted mine.”

Ray Kimmel, has been named the new Director to replace June. Ray came to Asbury Seminary as a student after 20 years in the insurance business. Ray completed his Master of Divinity in May 2000.



Mike Seiler, of Bank One, and his wife, Kristin, announce the birth of their first child. Brock Christian Seiler was born September 6 at 1:33 a.m.. He weighed in at 6 lbs 14 ozs, and was

20 inches long. Everyone, even dad, is doing just fine.



Bernice Ayer has accepted a new position as District Financial Aid Director of the Owensboro College District. Bernice replaces **Cathy Baker** who accepted a new position within the college as the District Director of Resource Development.



Vivian Rinaldo, Kentucky Wesleyan College, and her husband are the proud owners of a new house. They report they couldn't be more excited.



Anne Leigh Bisese, Georgetown College, and her husband are the proud parents of Caroline Grace Bisese born on September 11, 2001. She weighed 7 lbs and 3 oz. and was 19 inches long.



Shawn Anderson is serving as the district Financial Aid Coordinator for Somerset Community and Technical Colleges as well as Laurel Technical College.

Margie Philpot is the Financial Aid Director at Laurel Technical College.



Texas Guaranteed (TG) has named **Grady L. Collins** as national account representative for Kentucky. Grady will work with schools and lenders to help them meet the financial and information needs of students and families who aspire to complete a post-secondary education. Prior to TG, he served as Director of Financial Aid for Chattanooga State Technical Community College.



Bellarmino University recently announced **David R. Wuinee's** promotion to Assistant Vice President for Enrollment Management. He most recently had served as Director of Enrollment Services.

In his new role, David will provide operational oversight of the offices of admissions, financial aid, registrar and advising. He also will focus on services offered and facilitate cross-training of staff. In addition, David will oversee the restructuring of current processes to ensure efficiency in the recruitment and retention of students.



Terri Sampson is the new Financial Aid Assistant at Brescia University.

Doug Cook is the new Marketing Representative for The Student Loan People. Doug most recently was the Director of Financial Aid at Mid Continent College



Leigh Webster of The Student Loan People and her husband are the proud parents of Sarah Elizabeth Webster. Sarah was born on October 16th and weighed 7 lbs, 6 oz.



Sandy Paxton, M.Ed., is the new Counselor and Information Specialist for the Kentuckiana College Access Center (KCAC). They have moved their offices and the new address is 200 W. Broadway, 7th floor, Louisville KY 40202. She can be reached at 502-584-0475.



Penny Mize has returned to her position as Director of Financial Planning at Sullivan University - Ft. Knox Campus

Bobbie White is now the Director, Financial Planning at Spencerial College - Louisville Campus

Sandi Bennett has been promoted to Associate Director, Financial Planning at Sullivan University - Louisville Campus



SASFAA Training Opportunities

By Ron Day, SASFAA Vice President

Hello my Kentucky friends, here is a brief reminder of the Training opportunities that SASFAA is providing this year. Training is and will remain an important focus of your regional association.

1. New Aid Officers One-day Workshop — One-day at the annual conference, Sunday, February 17, 2002.
2. New Aid Officers Workshop — Summer at Furman University in Greenville, SC — June 16 - 21, 2002.
3. Mid-Level Workshop — for experienced financial aid professionals — at Millsaps College in Jackson, MS. — June 23 - 25, 2002.
4. Decentralized Workshops — presented by the state associations within SASFAA.

The New Aid Officers one-day workshop at the annual conference is ideal for new hires — as an overview of concepts. It is a great introduction for the Summer New Aid Officers Workshop — which is much more technical and extensive. There is no additional charge for this workshop (the one-day) at the conference.

Information related to all the workshops will be posted on the web site very soon. Registration materials for the workshops can be retrieved via the web site.

USA Funds to Support E-Signature Option

By David Long, USA Funds Services

USA Funds® will support the option of electronic signatures on Stafford- and PLUS-loan promissory notes.

USA Funds will support the “PIN-less” e-signature process developed by its guarantor servicer, Sallie Mae. This totally online process allows a potential borrower to use the e-signature process without having to obtain — or remember — a Personal Identification Number (PIN). In addition to providing more-convenient loan delivery, the PIN-less e-signature method preserves the integrity of the student-loan process.

Although USA Funds will support the PIN-less process, the guarantor will work with lenders to support other e-signature methods. Lenders that use USA Funds’ Lender Funds Management (LFM) disbursement services can request that USA Funds support alternative e-signature processes. USA Funds is asking lenders that do not use LFM to send information about the processes they use, so that USA Funds can ensure the best possible loan-guarantee service to those lenders.

The PIN-less e-signature process currently is being tested with pilot schools in preparation for official rollout before the end of the 2001-02 academic year. For more information, contact your USA Funds Services representative, David Long, at 205-685-0906; toll-free at 800-428-9250, ext. 2661; or by e-mail at dlong@usafunds.org.

David Long is an account executive for USA Funds Services. He can be reached at 205-685-0906.

Tips Can Help Students Manage Debt in School and Beyond

By David Long, USA Funds Services

When college students compare their monthly expenses with their monthly income, many may wonder how they will be able to make ends meet without going deeply in debt. A new training program aimed at preventing education-loan default identifies a number of successful money-management strategies for college students.

Many of those penny-pinching tactics require little sacrifice or effort — and some even can be fun. According to Life SkillsSM, saving money each month can be as simple as turning off lights when they are not in use and as fun as splitting restaurant meals with a friend. USA Funds[®] developed Life Skills to equip postsecondary institutions to teach their students effective time- and money-management skills.

The following are some tips that Life Skills offers students who need help conserving cash:

- **Put all your loose change in a jar.** Keep it for laundry, or save it for unexpected expenses.
- **Shop for clothes wisely.** Shop at discount outlet stores, consignment stores and campus thrift shops. Look for generic labels. Avoid buying and wearing clothes that must be dry-cleaned.
- **Avoid impulse buying.** If you want or think that you need something, wait a full 24 hours before you buy it.
- **Learn to cook for yourself.**
- **Shop around when selecting phone or bank services.** Select services that meet your own specific needs and that do not include costs for features you will not use.
- **Seek out free or inexpensive entertainment.** If movies are your interest, go to a matinee at a discount movie theater — instead of paying full price in the evening. Or, rent a movie. Other suggestions include visiting museums and parks, hiking and reading books.

Life Skills advises students to begin reducing debt by determining how they might trim \$100 from their expenditures each month. Doing so, the training says, can be a good first step for students to establish good saving and spending habits that last throughout their college career and beyond. More money-management tips — as well as information about financial aid, completing school on time, succeeding in school and after graduation, and repaying education loans — is available in the Life-Skills training. The course is being piloted at 25 colleges, universities and career schools and will be available to other USA Funds customers at no cost beginning in January 2002.

For more money-saving tips for students, and to learn more about Life Skills, contact your USA Funds debt-management consultant, Laura Dickerson, at 813-933-8108; toll-free at 800-551-1353, ext. 7879; or by e-mail at ladicker@usafunds.org.

David Long is an account executive for USA Funds Services. He can be reached at 205-685-0906.

“Opening Doors of Educational Opportunity”

FINANCIAL AID REVIEW PROGRAM COMPLETES THIRD SUCCESSFUL YEAR

“...our financial aid office is now providing better services to our students.”

Trends and best practices uncovered.

Financial aid administrators at colleges, universities and career schools nationwide have embraced a voluntary review program that assists them in assessing and improving the effectiveness of their financial aid programs. Since 1999, 23 schools have participated in NASFAA’s Standards of Excellence Review Program – a peer review program developed by the National Association of Student Financial Aid Administrators (NASFAA) to promote the highest standards in the administration of financial aid.

“In the financial aid world, we are so busy ‘doing’ that we do not take the time to step back and really think about the ‘how’ and ‘why,’” says Cliff Neel, Assistant Vice President and Director of Student Financial Aid at Baylor University in Waco, Texas. “NASFAA’s Standards of Excellence Review Program helps financial aid professionals expand their view of processes and procedures. ‘That’s the way we have always done it’ or ‘other schools do it that way’ are statements that can lead a financial aid office out of compliance with federal regulations. After the review team’s exit interview, our vice president stated that he wished that all his divisions had such a tool.”

Financial aid administrators play a significant role in a student’s ability to continue their education beyond high school. Yet, the financial aid office can lack adequate resources, including staffing and technology, which can obstruct the effective delivery of financial aid. Frank Chong, dean of student services at City College of San Francisco said, “The Standards of Excellence Review team did an amazing job diagnosing our weaknesses and providing positive recommendations for improvement. The end result is that our financial aid office is now providing better services to our students.”

To ensure the effective administration of financial aid, NASFAA believes every financial aid office should undergo a Standards of Excellence Review. NASFAA president Dallas Martin explains, “Participation in NASFAA’s Standards of Excellence Review program demonstrates an institution-wide commitment to excellence and a focus on high-quality service to students. All our institutional members seek to achieve the highest standards possible, and this program can help them reach that goal.”

Trends and Best Practices Uncovered

While the results of institutional peer reviews are confidential, several trends have taken shape:

- *Institutional Strengths:* Many institutions have implemented student-centered practices that speed delivery of financial assistance or safeguard students’ confidentiality. For example, most institutional web sites contain up-to-date information about applying for and receiving financial aid, and many make available for download commonly requested forms and application documents. Most

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institutions allow students to register via the Internet or by telephone; some disburse financial aid funds electronically and deposit them directly into student bank accounts.

- *Common Recommendations:* Financial aid administrators need to review their processes to eliminate waste, outdated practices, and operational loopholes. Also, institutions need to adequately staff the financial aid office, especially in the area of dedicated computer support personnel.
- *Compliance Issues:* Institutions frequently fail to develop written policies and procedures and update them regularly. This time-consuming task is often relegated to the bottom of most todo lists; however, reviewers often noted that inadequate policies and procedures led to diminished service and, on occasion, non-compliance with federal guidelines. Also of note were the instances of insufficient documentation to support the decisions, conversations, and actions taken on behalf of students. Despite concerted efforts to fully comply with all Title IV regulations, inadequate documentation caused a number of well-intentioned institutions to be unable to provide evidence of complying with federal guidelines.

History of the Standards of Excellence Review Program

The Standards of Excellence Review Program grew out of recommendations from the NASFAA Task Force on Institutional Leadership co-chaired by John T. Casteen III, president of the University of Virginia, and Rhonda D. Norsetter, special assistant to the chancellor at the University of Wisconsin-Madison. In its report, the task force noted that “student financial aid is a matter of urgent concern to institutions, policy makers, and to the nation,” and that “colleges and universities face serious challenges in this area.”

In a letter to college presidents about the review program, Dr. Casteen warned that “poorly managed financial aid programs can hamper enrollment efforts, cause rifts among campus offices, expose the institution to significant financial liability, and sabotage efforts to serve student and their families.” But, he continues, “Financial aid programs that are integrated into institutional planning and soundly managed can help advance institutional goals.”

How Does the Standards of Excellence Review Program Work?

- The scope of the review is established in a letter of engagement between the institution and NASFAA.
- The institution conducts a self-study, using the most recent edition of NASFAA’s *Self-Evaluation Guide for Institutional Participation in Title IV and Other Federal Programs*. The completed self-evaluation guide and other demographic information are submitted to NASFAA and a preliminary institutional assessment is conducted.
- NASFAA then selects a customized peer review team comprised of experienced financial aid administrators who visit the institution and perform an in-depth, on-site review of the financial aid operations. The review team spends two days to one week on the campus.

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- Following the on-site review, the team compiles an objective evaluation of the institution's financial aid program and presents its findings in an exit interview to administrators designated by the institution.
- Finally, the peer review team prepares and submits a confidential written report that identifies the institution's good financial aid practices and suggests improvements. For more information, contact Vernetta P. Fairley, Program Director, 202-785-0453 Ext. 141 or fairleyv@nasfaa.org. Additional information is also available at www.nasfaa.org.

Copies of *A Report to the Leadership of America's Colleges and Universities: Meeting the Challenges of Financial Aid* are available from NASFAA's Publication Desk, 202-785-0453 Ext. 152 or pubs@nasfaa.org.

The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit membership organization that represents more than 10,000 financial aid professionals at more than 3,000 colleges, universities and career schools across the country. Based in Washington, D.C., NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis and professional development for financial aid administrators. Each year, members help more than 8 million students receive funding for postsecondary education.

Institution: Date:

Name: Title:

Address:

City: State Zip:

Telephone: Fax:

E-mail Address (Please Print Clearly):

Name of Financial Aid Administrator:

Type of School: Type of Professional School:

2 Year Vocational/Technical Public Law

4 Year Proprietary Private Engineering

Graduate/Professional Medical

Pharmacy

Other: _____

No. of Branch Campuses or Additional Locations: Full Time Enrollment/Equivalency:

Approximate Number of Financial Aid Recipients:

Program Participation: Federal Perkins Federal Work Study Federal SEOG

Federal Pell LEAP FFELP

FFDSL

Technology: Mainframe Computers Stand-Alone Personal Computers Networked Personal Computers

Client-Server System Multi-Campus Computer System

I authorize the National Association of Student Financial Aid Administrators to estimate the cost of conducting a Standards of Excellence Review.

Signature: Date:

Name: Title:

Thank you for your interest in NASFAA's Standards of Excellence Review Program. Please mail or fax your completed form to Vernetta Fairley, Program

Director, NASFAA, 1129 20th Street, N.W., Suite 400, Washington, DC 20036-3453, phone: 202-785-0453 x141, fax: 202-785-1487, or email: fairleyv@nasfaa.org.

ESTIMATE REQUEST

2003 Interest Rate Provides More Questions Than Answers

By Joe McCormick, KHEAA/KHESLC

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As Congress returns from its August recess, one of the important issues for the higher education community is legislation to address the 2003 interest rate problem. For the past several months, the Federal Family Education Loan Program (FFELP) community has been urging Congress to adopt legislation to extend the current provision for student interest and lender yield for ten years and prevent a 1993 change to the interest rate formula scheduled to go into effect July 1, 2003, that threatens to reduce lender yields to levels unacceptable to their continued participation in the federal student loan program. While acknowledging the critical importance of healthy lender participation in FFELP, some other higher education groups are concerned that interest rates to students remain at the lowest level possible and have expressed concern that the 2003 formula provides a lower student interest rate than the current formula.

The FFELP community would like to see the current formula, which was adopted in 1998, continue to be used—citing the lowest student interest rate in the history of the loan program for this year at 5.99 percent. Advocates for students cite a Congressional Research Service analysis dated July 5, 2001, that projects the student interest rate to be lower under the formula scheduled to go into effect in 2003 than the projected rate under the current formula. Most recently, the Congressional Budget Office (CBO) has provided revised projections on the budget and the economy, including interest rate projections. According to an analysis of these projections by NCHELP, students in repayment would be better off under the current interest rate formula as opposed to the 2003 formula under the assumption that the interest rate is more than 1.3 percent higher than the interest rate on 91-day Treasury bills. Using CBO assumptions, interest rates from 2003 to 2011 for 91-day Treasury bills will be 4.9 percent and for 10-year Treasury bills will be 5.8 percent, student interest rates remain about the same under the two interest rate formulas for student loans.

All parties involved in this issue have repeatedly voiced three major themes: (1) providing students the lowest interest rate possible, (2) allowing lenders a reasonable yield on student loans to ensure total access to student loans, and (3) the need to fix the 2003 interest rate problem in this current session of Congress. Given the recent Office of Management and Budget (OMB) and CBO projections on the budget and the economy, the ability to put forth a solution that will survive this session of Congress is all the more difficult.

From its beginning in 1966 of 1,488 lenders to more than 11,298 participating lenders in 1985, FFELP has historically been a very lucrative program for lenders. However, the last 15 years have seen a gradual erosion of lender yield and a dramatic decline in the number of participating lenders to only 3,592 who actually originated a FFELP loan in 2000. This is the lowest number of participating lenders in FFELP since the late 1960s.

Granted, the lending industry has gone through a dramatic period of mergers and consolidation, but the reduction in participating lenders cannot be explained by that phenomenon alone. *Is it possible*

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that lender yield is already at a level to discourage all but the very aggressive, high-volume lenders from participating?

Consider the breakdown of the share of total FFELP loan volume enjoyed by the top 100 originators and the top 100 holders of FFELP student loans in just the past years as illustrated by this table:

**Share of FFELP Volume
by the Top 100 Originators**

	FY00	FY94
Top 10 as a percent of nation	51.5	36.7
Top 25 as a percent of nation	71.8	54.3
Top 50 as a percent of nation	82.3	67.2
Top 75 as a percent of nation	87.2	74.3
Top 100 as a percent of nation	90.1	78.9

Source: U.S. Department of Education

The above chart is very revealing for a number of reasons. The percentage of total loan volume originated by the top ten lenders has grown dramatically from 36.7 percent in 1994 to an impressive 51.5 percent in the year 2000. In this most recent year 2000, the top 100 originating lenders did 90 percent of the total FFELP loan volume, and 3,492 lenders originated the remaining 10 percent.

FFELP Holders

Sallie Mae	42.0%
Banks	31.0%
State/Regional Entities	14.0%
Credit Unions	4.0%
Schools	1.0%
All Others	8.0%

The top 100 holders of FFELP loans have 96.2 percent of the total FFELP portfolio, dramatically illustrating the dominance of large, high-volume lenders in the program. It would further suggest that lender yields are so low that only high-volume lenders with very efficient servicing systems can

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sustain an acceptable profit margin. The actual breakdown of FFELP holders is even more illustrative:

**Share of FFELP Volume
by the Top 100 Holders**

	FY00	FY94
Top 10 as a percent of nation	68.1	53.8
Top 25 as a percent of nation	81.0	68.1
Top 50 as a percent of nation	90.5	79.2
Top 75 as a percent of nation	94.6	85.1
Top 100 as a percent of nation	96.2	88.5

Source: U.S. Department of Education

While no one would question the advocacy of the lowest interest rates possible for students, there appears to be sufficient evidence of the volatility and instability that now exists in the FFELP lender community due to the continued merger, consolidation, and/or departure of lenders from the program.

Could the current formula for lender yield be at such a low point of lender profitability to threaten total access to FFELP loans? Could the data above be suggesting that to further reduce lender yield might be “throwing the baby out with the bath water”?

It depends on the set of assumptions about the future behavior of the economy one is most comfortable using to construct the “formula” for student and lender interest rates.

Even in projecting student interest rates using the 2003 formula, the Congressional Research Service report has a footnote warning that “It is important to note that the comparable maturity formula (the 2003 formula) has never been in effect, and the authorizing statute provides very little guidance regarding how the formula would be applied operationally. Currently, no official methodology has been established by [the USDE] for calculating an ‘operational’ comparable maturity interest rate.”

Shall we abandon the current formula which has provided students the lowest interest rate in the history of the program for a 2003 formula that is untried and subject to a variety of assumptions yet to be developed by [the USDE]?

Joe McCormick is the Chief Executive Director of KHEAA and The Student Loan People (KHESLC). He can be reached at 502-329-7212.

KASFAA NEW MEMBERS

Michael Abboud	University of Louisville
Cathy Alewine	Western Kentucky University
Bruce E. Austin, Jr.	Regions Bank
Melissa C. Bingham	Louisville Technical Institute
Cheryl Blandford	Student Loan People (KHESLC)
Roberta Bolduc	Academic Management Services
Sharon Gale Bolt	Campbellsville University
Victoria Boyd-Kennedy	Eastern Kentucky University
Ginny Burdon	Student Loan People (KHESLC)
Patricia Burns	Asbury College
Demetrial S. Coleman	Academic Management Services
Janet Sue Crane	Sullivan University
Linda DeMoss	Student Loan People (KHESLC)
Glenda R. Doss	Hopkinsville Community College
Donna Dunaway	Asbury College
JoAnna Duvall	Student Loan People (KHESLC)
Gail Ferreira	Academic Management Services
H. Arlene Forsythe	Kentucky Mountain Bible College
Tyammy Fuller	KHEAA
Keeley J. Gadd	National College of Business & Tech.
Richard B. Gallagher	National Education
Karen Gossett	Kentucky State University
Janet R. Gunther	Madisonville Community College
Tana Hackworth	Student Loan People (KHESLC)
Starla J. Hahn	Central KY Technical College
Nancy Hall	Student Loan People (KHESLC)
Elayne Hampton-Harold	Student Loan People (KHESLC)
Gina A. Heard	Fifth Third Bank
Ellen Heffernan	Spelman & Johnson Group
Mark Hoover	KHEAA
Rosemary Ingerman	Sullivan University
Geri Johnson	KHEAA
Catherine Kasakoff	Versura, Inc.
Raymond Kimmell	Asbury Theological Seminary
Gina M. Kuzuoka	Spalding University
Lisa Laird	Eastern Kentucky University
David Lawhorn	KHEAA
Paula G. Mattison	KHEAA
Bill McCord	Morehead State University
Dr. Joe McCormick	KHEAA
Pat McCoy	Somerset Community College
Priscilla Meyenburg	Mid-Continent College

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Paul Mittelhammer	Citibank
Terressa Neville	Student Loan People (KHESLC)
Shelley S. Park	Eastern Kentucky University
Sandy J. Paxton	Kentuckiana College Access Center
Kattie Suzanne Penick	Mid-Continent College
Margaret L. Philpot	Laurel Technical College
Debby K. Prindle	Beckfield College
Terri Reed	University of Kentucky
Carl P. Rollins III	Student Loan People (KHESLC)
Teri Sampson	Brescia University
Lisa D. Shelley	KY State Board for Proprietary Ed.
Cheryl L. Thaxton	Beckfield College
Linda Thompson	Commonwealth EOC
Leslie Thornton	Sullivan University
Dawn. M. Tippey	Asbury Theological Seminary
Ella F. Turner	Commonwealth EOC
Angie Vandavelde	Student Loan People (KHESLC)
Kimberly L. Wallace	Midway College
Patricia Wells	KHEAA
Tasha Williams	Hopkinsville Community College
Yolanda Williams	Thomas More College
Wendy Wright	Sullivan University

KET Call-in-Show

The Kentucky Association of Student Financial Aid Administrators (KASFAA) in conjunction with KET will present its annual Financial Aid Call-in Show Tuesday, January 29, 2002 at 10 p.m.

This is a financial aid information program geared toward educating the families of high school students, as well as the general public. There will be a panel of three Financial Aid Experts discussing general financial aid issues and phone lines will be available for students or parents to call with questions. Additional financial aid administrators, lenders and KHEAA personnel will be on site to answer the phone calls. KASFAA members are encouraged to inform their local high schools of this upcoming event.

If you are interested in volunteering for the Call-in-Show, please contact Chris Thomas: Chris_Thomas@berea.edu or 859-985-3309.

US Department of Education Initiates Program: Teachers May Qualify for Loan Forgiveness

by Grady Collins, Texas Guaranteed

Federal actions have recently led to implementation of incentives in the form of a loan forgiveness program for students in the field of education. You may want to keep this program in mind when you counsel current and former students interested in teaching careers.

The Teacher Loan Forgiveness Program is intended to encourage individuals to enter and continue in the teaching profession. Borrowers may qualify for up to \$5,000 in Federal Stafford, Direct, and in certain cases, Federal Consolidation loan forgiveness through the Department of Education's Teacher Loan Forgiveness Program.

In addition to other criteria established by the Department of Education, borrowers must satisfy the following requirements to qualify for the forgiveness program:

- The borrower must have had no outstanding balance on a federal Stafford loan at the time he or she obtained a loan on or after October 1, 1998.
- The borrower must have taught full time for at least five consecutive, complete academic years at a low-income school that qualifies for Title I funds.
- The borrower must perform one of his or her five years of qualifying service after the 1997-98 academic year.
- The borrower must have obtained the loan on which the forgiveness is sought before the end of the fifth year of teaching service.

Many schools throughout Kentucky are designated Title I schools, and as such, teachers at these schools may qualify for this program. To search for qualifying schools, visit the U.S. Department of Education's Low-Income School database on the web at: www.ed.gov/offices/OSFAP/Students/repayment/teachers/search_t00.html.

TG processed the program's first application in July of 2001, and subsequently issued loan forgiveness to a second-grade teacher from Fort Worth, Texas. Applications to help borrowers take advantage of the Teacher Loan Forgiveness Program are now being accepted by TG.

Additional information about the FFEL/Direct Loan Forgiveness Program is available on the web by downloading the U.S. Department of Education's brochure entitled "Stafford Loan Forgiveness for Teachers" at www.ed.gov/offices/OSFAP/newprod/loan3.pdf. To obtain a Teacher Loan Forgiveness Application or Forbearance Form, visit *TG Works Online* at www.tgslc.org, and click on "Forms."

If you have any additional questions, contact TG's Customer Assistance at (800) 845-6267, or sending an e-mail message to cust.assist@tgslc.org.

Grady Collins is a National Account Representative with Texas Guaranteed (TG). He may be reached at (800) 252-9743, ext. 4970, or by e-mail at grady.collins@tgslc.org.

2002 SASFAA Conference
February 17-20, 2002
The Galt House Hotel
Louisville, KY

Submitted by Lisa Tumer, Conference Chair

Has the endless stream of late applicants who want their aid **NOW**; long lines; late registration, and all the other hassles that occur during the fall semester, made you feel as if you don't know which direction to turn? Do you know where you're headed, or have you gotten off track? Well.... Head for **SASFAA 2002** in Louisville, Kentucky where we will be **"Keeping You on the Right Track!"** SASFAA's conference committee has planned an excellent conference for your enjoyment, filled with informative and quality sessions, federal updates, networking with colleagues and even some fun.

Rooms have been blocked for Thursday, February 14 through Thursday, February 21, 2002. Room rates are \$110 for single and double occupancy, \$120 for triple occupancy and \$130 for quadruple occupancy. These rates will apply three days before and three days after the conference for anyone wishing to come early or stay late. Please only reserve rooms that you plan to use.

To make your reservations, call the hotel directly at (502) 589-5200, extension 5120. Be sure to mention that you are attending the SASFAA Conference. Reservations must be guaranteed with one night's deposit either via a credit card or check, which must be received within seven (7) days of verbal confirmation. If you need to cancel your reservations, you must notify the hotel 48 hours in advance, or you will be charged for one night's stay including state and local taxes. The cutoff date for reservations is **January 21, 2002**.

For your convenience, all conference information will be posted on the SASFAA website. Please check it periodically to keep updated on conference details. If you are not a member of SASFAA and would like to join, contact Clyde Walker, SASFAA Membership Chair, at (615) 460-6403 or c.walker@vanderbilt.edu.

Conference fees are \$185 for early registration and \$235 for registrations postmarked after January 29, 2002. Be sure to include an additional \$25 with your registration if you have not paid your membership dues. The registration form will be available on the website. A notice will be mailed when the form and other pertinent conference information is posted.

Mark your calendar now and start making tracks to Louisville for **SASFAA 2002...Keeping You on the Right Track**.

Tech Tips

Printable KHEAA Forms

By Rick Wilson, Bowling Green Technical College

I just discovered something you may already know, but in case not, you might be interested!

We had a discussion a while back about the KHEAA On-Line Reports being “printable” but not “downloadable.” That is a problem because they are always in SSN order or Alpha order and inevitably we need it sorted another way.

Viola! Open the report on your screen, then just right click, select all, right click, select copy and then paste it onto a blank Excel spreadsheet. Everything pastes into one single column, but you can go Data, Text to Columns, and separate it by fixed width columns selecting where you want to columns to break. I deleted all the headings of each page to make the column breaks cleaner.

Now you can save, sort any way you want, print or whatever! You can add headings back to the pages when you are ready to print if you want. This is great!!!

The New KASFAA Listserv

By Jennifer Cosens, KHEAA

KASFAA-L, the new KASFAA listserv, has been moved from it’s former home at Western Kentucky University to a KHEAA server.

To send an e-mail to all of your KASFAA colleagues, who are subscribed to the list, address it to: KASFAA-Llistserv.kheaa.com.

A welcome message was sent to all KASFAA-L subscribers. If you wish to be subscribed and you did not receive the welcome message, please contact Jennifer Cosens at jcosens@kheaa.com or 502-696-7351.

2001-2002 KASFAA Executive Board

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Legislative Issues

Linda Scott, Murray State University

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DeDe Conner, KHEAA

Newsletter

Meredith Robinson, The Student Loan People

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Chris Thomas, Berea College
Tim Green, Fifth Third Bank

Training

Tim Rhodes, Morehead State University

Rhonda Swim, Morehead State University

Lissa Caldwell, KHEAA

Website Technology

Jennifer Cosens, KHEAA

Articles and Bylaws

Lissa Caldwell, KHEAA

Nominations

Sandra Neel, University of Louisville

College Goal Sunday

Rich Nickel, Bank One

Sandra Neel, University of Louisville

KASFAA Training

Nancy Melton, Alice LLOYD College

KASFAA Trust Development

Anthony Bowles, Western Kentucky University

SASFAA Local Arrangements

Dave Wuinee, Bellarmine University