

Archived Information

**Evaluation of
the Federal Direct Loan Program
Survey of Institutions Participating in the
Federal Family Education Loan Program**

**Volume One
Summary Report**

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Prepared by:

**Sadie Bennett
Elaine Glover
Laura Greene Knapp
Maureen Murphy**

**Macro International Inc.
11785 Beltsville Drive
Calverton, Maryland 20705**

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**U. S. Department of Education
OUS/Planning and Evaluation Service
Steven Zwillinger
Contracting Officers'
Technical Representative**

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The cooperation of more than two thousand institutions participating in the Federal Family Education Loan Program enabled a complete description of their experiences with this program. Without the time and effort contributed by financial aid administrators, this report would not have been possible.

The project director for this study is Maureen Murphy. Sadie Bennett planned and managed the institutional survey. The authors of this report—Maureen Murphy, Sadie Bennett, Laura Greene Knapp and Elaine Glover—would like to acknowledge the contributions made by the following Macro staff: Robert Blankenship, Marcie Cohen, Nancy Hassett, Asa Janney, Cathy Olshefski and Colleen Walsh.

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Introduction

This report presents the findings of a survey of institutions participating in the Federal Family Education Loan Program (FFELP) for academic year 1994-95. The purpose of the survey was to establish a baseline comparison group for analyses of differences in various aspects of loan program administration between the Direct Loan and Federal Family Education Loan Programs, including: overall quality and ease of loan program administration; satisfaction with communications and support from the Department of Education; and satisfaction with service providers. A similar survey of institutions participating in the Federal Direct Loan Program was conducted during February and March of this year, and selected results are presented for comparison.

A total of 104 institutions participated in the initial year of the Direct Loan Program. Because of the limited number of participants, care must be taken when making generalizations based on the Direct Loan/FFEL comparisons in this report. The characteristics and experiences of the initial Direct Loan participants may not represent subsequent cohorts of Direct Loan institutions. In addition, program start-up is likely to be quite different from full operation of a program. Both of these factors could influence the results of a comparison of first-year Direct Loan schools and FFEL schools. However, over 400,000 borrowers and all types of schools are represented among the first-year participants of the Direct Loan Program. Therefore, the Direct Loan/FFEL comparisons presented in this report do provide a reasonable early indication of relative satisfaction between the programs.

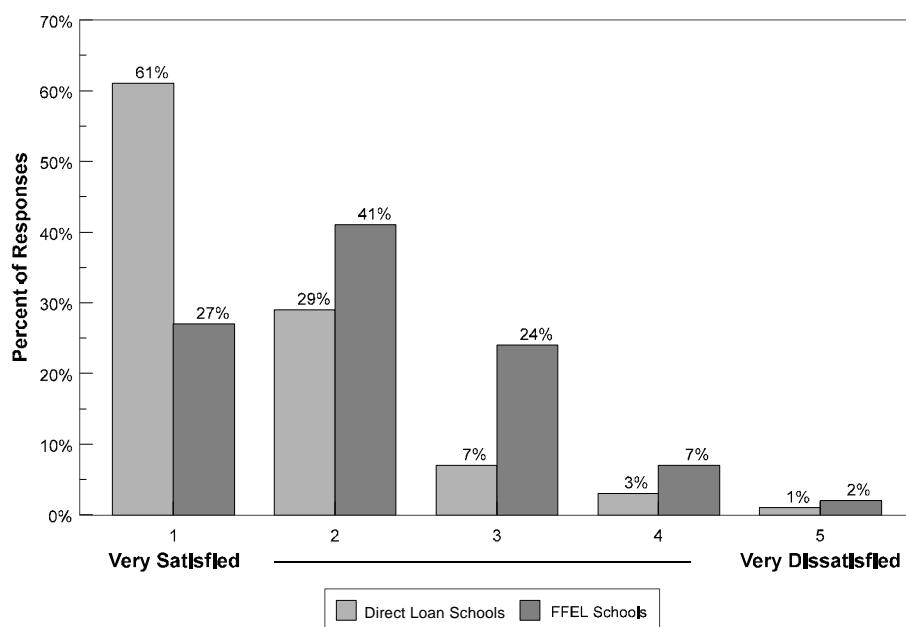
Follow-up surveys of Direct Loan and FFEL schools planned for spring of 1996 will provide a clearer comparison of institutional satisfaction between the loan programs. In addition, FFEL and Direct Loan borrower surveys, to be conducted in the fall of 1995, will provide baseline comparisons of borrower satisfaction and experiences for each of the loan programs. Follow-up institutional and borrower surveys are also planned for future years of the evaluation.

Findings

- First-year Direct Loan schools indicated greater satisfaction with the Direct Loan Program than did FFEL schools with the FFEL Program (Figure 1). The biggest difference between the two programs was in the percentage of schools that said they were *very satisfied*—61 percent of Direct Loan schools versus 27 percent of FFEL schools. Few schools indicated that they were *very dissatisfied* with either program.

Figure 1

Overall Satisfaction with Loan Program
Direct Loan Schools vs. FFEL Schools



Regarding the various activities involved in administering the loan programs (including keeping up with regulations, counseling borrowers, disbursing loan funds, financial reporting and recordkeeping), Direct Loan schools reported higher satisfaction ratings for all activities than did FFEL schools. The greatest rating differences in satisfaction occurred for keeping

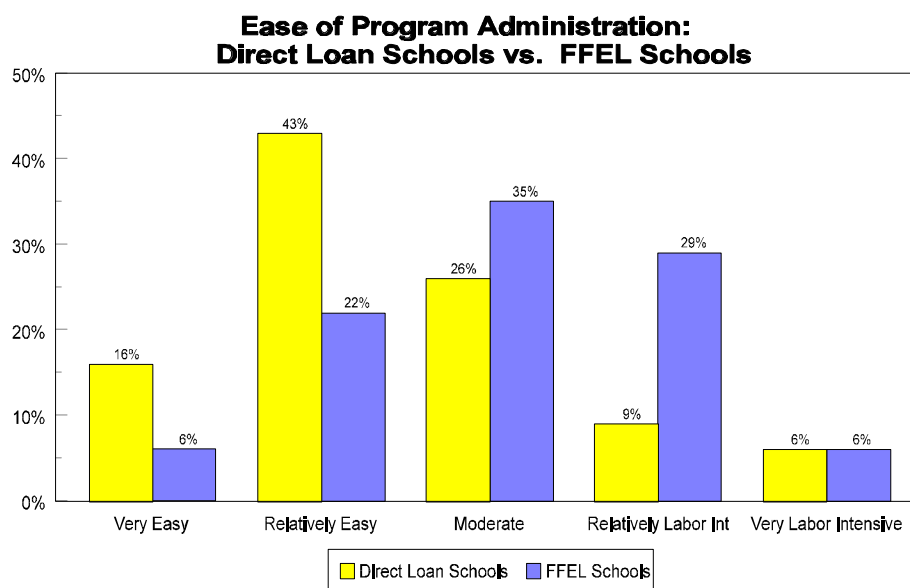
Highlights of Findings

up with regulations (1.7 for Direct Loan vs. 2.4 for FFEL) and refunding excess loan funds to students (1.5 for Direct Loan vs. 2.2 for FFEL).¹

Satisfaction with the FFEL Program varied by whether the school was currently participating (or planning to participate) in the Direct Loan Program. Those that did not intend to apply for the Direct Loan Program reported the highest satisfaction rating—2.0 on a 5-point scale. This compared to ratings ranging from 2.4 to 2.6 for those who have either applied or intend to apply for the Direct Loan Program.

- First-year Direct Loan schools found the Direct Loan Program easier to administer than FFEL schools found their program (Figure 2). Almost 60 percent of Direct Loan schools said the program was *relatively* or *very* easy to administer, compared to roughly 30 percent of FFEL schools.

Figure 2



¹ All satisfaction ratings were based on a four or five-point scale with 1.0 being the highest possible rating.

Highlights of Findings

In general, large loan volume FFEL schools found the program labor intensive to administer. With the exception of schools with loan volumes ranging from \$10-20 million, the larger the loan volume, the less likely the school was to report satisfaction with administrative efforts and the more likely the school was to report an intensive amount of effort required for administration. This means that a substantial percentage of FFELP loans are disbursed at institutions that consider the FFEL Program labor intensive.

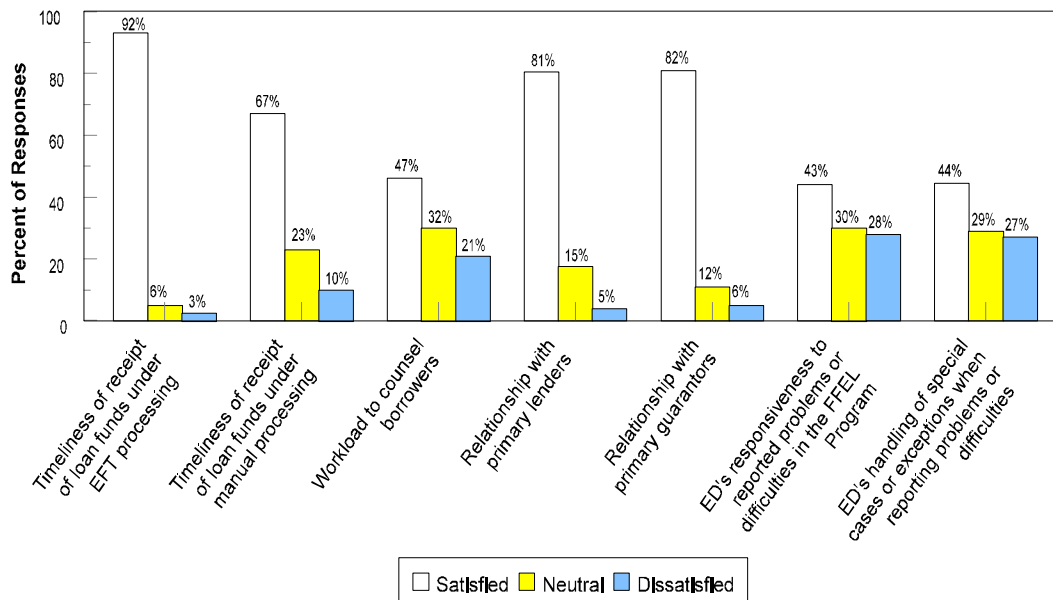
- FFEL schools were less satisfied with materials and services provided by the Department of Education than were Direct Loan schools. For example, as shown in the following table, only 27 percent of FFEL schools felt that telephone support received from the Department was *very timely*, compared to 64 percent of Direct Loan schools.

Comparison of Direct Loan and FFEL Schools' Satisfaction with Department of Education-Provided Services and Materials				
Materials/Services	Direct Loan Schools' Rating		FFEL Schools' Rating	
	Timeliness	Usefulness	Timeliness	Usefulness
Telephone Support	64%	75%	27%	38%
Information	58%	68%	22%	37%
Counseling Materials	51%	77%	36%	42%

- FFEL schools were generally satisfied with the key aspects of the program, but there were concerns regarding specific Department of Education-related activities (Figure 3). Relative to other aspects of the FFEL Program, FFEL schools stated that they were most dissatisfied (more than 25 percent) with the Department's responsiveness to reported problems and handling of special cases or exceptions. In terms of program administration, FFEL institutions found keeping up with regulations to be the most burdensome aspect of the program.

Figure 3

Satisfaction with Key Aspects of the FFEL Program



- As indicated in the table below, there is evidence of improvement in several aspects of the FFEL Program since the introduction of the Direct Loan Program.

Perceptions of Improvement in FFELP by Program Aspect				
Aspect	Rating			
	Improved	No Change	Worsened	N/A
Student access	14%	55%	3%	28%
Ease of administration	19%	52%	5%	25%
Service from banks/guarantee agencies	36%	39%	3%	23%
Service from servicers/collectors	21%	47%	3%	29%
Service from third parties	7%	29%	1%	63%

Highlights of Findings

The most substantial improvement, noted by 36 percent of respondents, is in service from lenders and guarantee agencies (which many of the schools providing comments attributed to competition from the Direct Loan Program). Other FFEL Program aspects also appeared to have improved since July 1994. However, FFEL schools only indicated a slight improvement in their overall satisfaction with the program since the introduction of the Direct Loan Program—from an average rating of 2.3 out of 5.0 prior to July 1994, to a current rating of 2.2. Approximately two-thirds of the institutions are currently satisfied with the FFEL Program, compared to 60 percent that were satisfied prior to implementation of the Direct Loan Program.

Survey of Federal Family Education Loan Program Institutions

Introduction

The institutional surveys comprise one component of an overall evaluation of the Federal Direct Loan Program conducted by Macro International Inc. under contract to the U.S. Department of Education. In February/March 1995, Macro conducted a survey of first-year Direct Loan institutions to assess overall satisfaction with Direct Loan implementation and administration at the institutional level. The purpose of the survey of institutions participating in the Federal Family Education Loan Program (FFELP) was to analyze differences in various aspects of loan program administration between the Direct Loan and Federal Family Education Loan Programs.

Consistent with the objectives of the Direct Loan school survey, the specific research objectives of the survey of Federal Family Education Loan Program institutions were:

- to assess the overall quality and ease of loan program administration at the institutional level;
- to determine the level of institutional satisfaction with communications and support from the Department of Education;
- to determine the level of institutional satisfaction with service providers (i.e., lenders and guarantee agencies); and
- to identify variations in satisfaction level and perceived quality of loan program administration by key institutional characteristics.

Volume One of the report summarizes the findings of the survey. The questionnaire with item responses is found at the end of the volume. Volume Two, Technical Appendices, includes:

- a guide to interpreting survey responses;
- the weighted data tables;
- a description of the survey methodology and the sample disposition;

Survey of Federal Family Education Loan Program Institutions

- item-by-item response rates;
- the letters eliciting institutional cooperation;
- the information and instructions provided to Internet respondents; and
- the survey questionnaire.

The overall survey response rate was 85 percent, based on 2,303 responses from 2,723 eligible institutions. The following table illustrates the number and percent of responses, and the response rate by institutional type and control:

Survey Responses by Institutional Type and Control			
Type and Control	Number of Respondents	Percent of Respondents	Response Rate
4-year public	434	19%	83%
2-year public	560	24%	90%
4-year private	569	25%	84%
2-year private	275	12%	82%
Proprietary	465	20%	78%

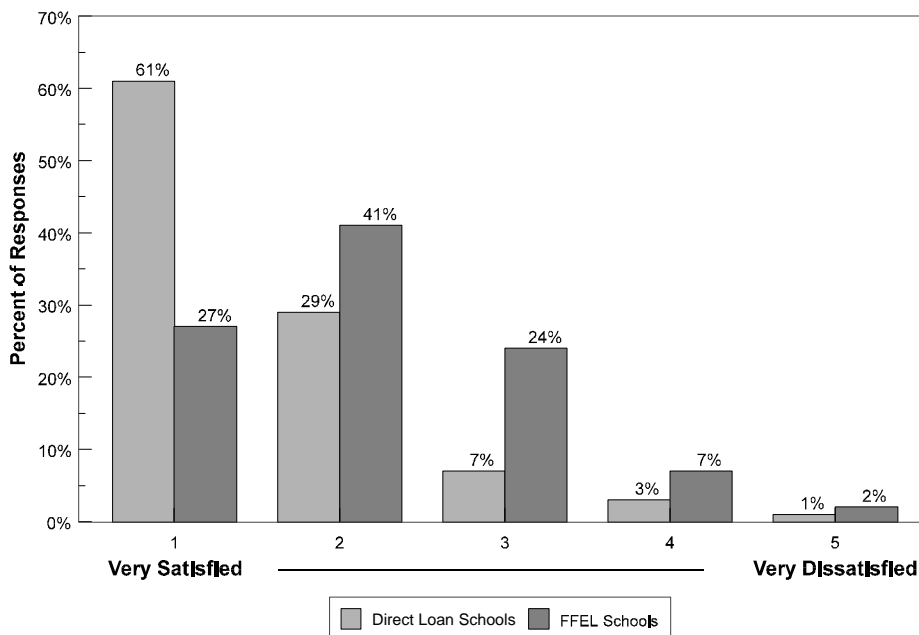
Comparisons Between First-Year Direct Loan Institutions and FFEL Institutions

Comparison of Satisfaction Levels and Program Experiences

Compared to schools offering the Direct Loan Program, FFEL institutions were consistently less satisfied with their loan program (Figure 4; Table 1.1a, Volume Two; and the Direct Loan Survey Report). Overall, 90 percent of Direct Loan schools, compared to roughly two-thirds of FFEL schools, indicated satisfaction with their current loan program. The greatest difference, as shown in Figure 4, occurred among the institutions that reported the highest level of satisfaction. As expected, first-year Direct Loan schools were also less satisfied with the FFEL Program in the year

Figure 4

Overall Satisfaction with Loan Program Direct Loan Schools vs. FFEL Schools



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prior to implementation of the Direct Loan Program than were FFEL institutions. These findings are illustrated in average ratings given by each group of institutions in the table below.

Overall Program Ratings Reported by Direct Loan and FFEL Institutions		
Rating Dimension	Direct Loan Schools	FFEL Schools
Satisfaction with current program	1.5	2.2
Satisfaction with FFELP prior to 7/94	3.3	2.3

These represent average ratings by the entire group of respondents currently participating in each program, on a scale of 1 to 5 five with 1 being the highest rating.

Respondents from both the Direct Loan and FFEL schools were asked to characterize the level of work or staff effort needed to administer the respective loan programs on a day-to-day basis. As shown in the table below, while more than half of the Direct Loan respondents (59 percent) perceived their program as easy to administer, approximately 30 percent of FFEL respondents indicated ease of loan program administration.

Level of Effort to Administer Program		
Level of Effort	Direct Loan Schools	FFEL Schools
Very easy to administer	16%	7%
Relatively easy to administer	43%	24%
A moderate amount of effort	26%	37%
Relatively labor intensive	9%	26%
Very labor intensive	6%	6%

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Respondents from both programs were also asked to rate their satisfaction with various activities involved in administering their program. Following is a comparison of the average ratings, using the same five-point scale, with one being the highest possible rating (Table 5b, Volume Two).

Satisfaction Ratings for Loan Program Activities: Direct Loan Schools vs. FFEL Schools		
Activity	Direct Loan Schools	FFEL Schools
Keeping up with regulations	1.7	2.4
Answering questions about loans	1.3	1.7
Counseling borrowers in school	1.3	1.7
Helping students with loans after school	1.6	2.1
Receipt of loan funds on time	1.3	1.7
Disbursement of loan funds	1.5	1.9
Refunding excess loan funds to students	1.5	2.2
Financial monitoring/reporting	1.8	2.0
Recordkeeping/reporting of student information	1.9	2.1

This table illustrates the higher satisfaction of Direct Loan institutions with their program than that of FFEL institutions with their program. The greatest differences in satisfaction levels are shown for keeping up with regulations and refunds to students.

Given the differences in the two loan programs, it was only possible to compare workload for a single activity common to both—workload for counseling borrowers. In this regard, Direct Loan institutions were more satisfied than FFEL institutions, with 62 percent of Direct Loan institutions reporting that they are *very satisfied* with this aspect of the program, compared to 16 percent of FFEL institutions (Table 5g, Volume Two).

The differences between the satisfaction levels of Direct Loan and FFEL schools are even more pronounced in the frequency with which the highest rating is assigned to the timeliness and

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usefulness of materials and services provided by the Department of Education. It must be noted, however, that the Department actually plays a larger role in service provision in the Direct Loan Program than in the FFEL Program. Lenders and guarantors provide more services to schools than the Department in FFELP. The following table highlights the percentages of schools that assigned the highest rating to various materials/services provided by the Department (Tables 5d and 5e, Volume Two).

Comparison of Direct Loan and FFEL Schools' Satisfaction with Department of Education-Provided Services and Materials				
Materials/Services	Direct Loan Schools' Rating		FFEL Schools' Rating	
	Timeliness	Usefulness	Timeliness	Usefulness
Telephone Support	64%	75%	27%	38%
Information	58%	68%	22%	37%
Counseling Materials	51%	77%	36%	42%

On both timeliness and usefulness of information, materials and support, a substantially larger percentage of Direct Loan institutions reported the highest level of satisfaction than did FFEL institutions.

Comparison of Changes in Financial Aid Resources

Direct Loan institutions were much more likely to report significant changes in resources than were FFEL institutions (Table 5f, Volume Two). It should be noted that any time there is a change in program, changes in resources are likely to occur, particularly in the area of staff training. Less than 5 percent of respondents for either program reported significant decreases in any category of financial aid resources. Significant increases were reported by larger percentages of Direct Loan schools than FFEL schools, as indicated in the following table.

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Comparison of Percentages of Direct Loan and FFEL Schools Reporting Significant Increases in Financial Aid Resources		
Type of Resource	Percent of Direct Loan Schools with Large Increase	Percent of FFEL Schools with Large Increase
Number of Staff	1%	4%
Staff in Accounting/Business	1%	1%
Technical Support Staff	0%	2%
Current Staff Hours	14%	12%
Equipment/Computers	31%	14%
Supplies	11%	10%
Training Funds	14%	6%
Staff Travel Funds	14%	5%
Computer Programming	36%	16%

Direct Loan institutions have not tended to increase their staff during the transition to the new program. The extent to which increases in staff hours can be attributed to the new program, however, is questionable, given the similar increase in staff hours reported by FFEL institutions. The greatest differences in new resources committed by both programs are in the areas of staff training/travel and computer equipment and programming.

Satisfaction with the Federal Family Education Loan Program

Overall Level of Satisfaction with the Federal Family Education Loan Program

Question #22

Currently, how satisfied are you with the FFEL Program? On a scale of 1 to 5, circle your level of satisfaction.

The majority of FFEL institutions indicated overall satisfaction with the Federal Family Education Loan Program as it is currently operating. Although only 27 percent of the responding institutions indicated that they were *very satisfied* with FFEL, roughly two-thirds reported a better than average opinion of the program, and only 9 percent were dissatisfied with the program as operating in the current academic year (Table 1.1a, Volume Two).

Satisfaction by Institutional Characteristics

In addition to overall satisfaction, responses to a variety of questions were studied relative to institutional characteristics, including:

- type and control;
- loan volume;
- aid office structure;
- electronic funds transfer (EFT) usage;
- EDExpress usage;
- type of computer system used for processing aid;
- number of lenders involved in the program;
- number of guarantee agencies involved in the program; and
- plans relative to participation in the Direct Loan Program.

Survey of Federal Family Education Loan Program Institutions

Among all these institutional variables, those that appeared to be associated with differences in satisfaction level with the FFEL Program were plans concerning Direct Loan participation, number of lenders and guarantee agencies regularly dealt with, and institutional type and control.

As expected, current satisfaction with the FFEL Program varied according to whether the respondents were planning to participate in the Direct Loan Program (Table 1.2, Volume Two). The average satisfaction rating among schools that said they had no plans to apply for participation in Direct Loans was the highest, as shown below:

FFELP Satisfaction Ratings by Direct Loan Participation Status	
Participation Status	Average Satisfaction Rating
No Application	2.0
Application Rejected	2.1
Year 2 Participant	2.4
Application Pending Year 3	2.5
Will Apply Year 3	2.6

These findings clearly indicated a separation of respondent satisfaction with FFELP based on whether they would eventually join the Direct Loan Program.

On a percentage basis, approximately 76 percent of the responding institutions that indicated they would not apply for the Direct Loan Program were satisfied with the Federal Family Education Loan Program, compared to 54 percent of Direct Loan Program applicants/participants that indicated satisfaction.

Respondents were also asked to specify the number of lenders and guarantee agencies they regularly dealt with in the FFEL Program. Those who were involved with a large number of lenders and/or guarantee agencies in administering FFELP indicated a lower level of satisfaction with the Program—2.4—compared to a 2.1 rating for those that dealt with the

Survey of Federal Family Education Loan Program Institutions

smallest number of lenders and guarantee agencies, suggesting that the complexity of administration increased as the number of parties involved grew (Table 1.2, Volume Two).

Relative to type and control of institution, the public institutions were less satisfied than the private institutions, regardless of type, and the proprietary schools were in the middle, as shown below:

Type and Control	Average Satisfaction Rating
4-year public	2.4
2-year public	2.3
4-year private	2.0
2-year private	2.0
Proprietary	2.2

There was little or no variation in satisfaction levels among the remaining institutional variables. Slight variations were found by:

- loan volume—with higher loan volume institutions indicating slightly lower satisfaction levels;
- use of electronic funds transfer—with EFT institutions reporting somewhat higher levels of satisfaction; and
- type of computer system used—with schools administering the program manually indicating slightly higher overall satisfaction (Table 1.2, Volume Two).

When asked to comment on the current structure and administration of the FFEL Program, more than 600 respondents did provide additional comments relating to their satisfaction with FFELP. Responses to this question can be grouped into those who believe the program is too complex and those who are relatively pleased with its structure and administration.

Survey of Federal Family Education Loan Program Institutions

A number of the schools that provided comments indicated that the FFEL system is too complicated. Chief among comments were:

- The current system is too cumbersome.
- There are too many regulations.
- It is hard to keep up with the regulations.
- There are too many players in the system.
- The program is difficult to administer.
- Lenders/guarantee agencies do not assume appropriate responsibility.
- Lenders/guarantee agencies have too much discretion, give poor service.
- Loan sales cause problems in tracking students' loan status.
- Servicers are slow in processing deferments.
- Loan processing is not timely.

A large group of the commenters indicated that they were pleased with the program, citing the following reasons most frequently:

- The system as it is works well.
- We are pleased with lender/guarantor responsiveness.
- The program is easy to administer.
- Changes to the program have made it easier to administer.

Institutional Satisfaction with Various Aspects of the Federal Family Education Loan Program

Question #20

Please rate how satisfied you are with each aspect [listed below] of the FFEL Program using a scale of 1 to 5, with 1 being very satisfied and 5 being very dissatisfied.

- Timeliness of receipt of loan funds under EFT processing
- Timeliness of receipt of loan funds under manual processing
- Workload to counsel borrowers
- Relationship with primary lenders
- Relationship with primary guarantors
- ED's responsiveness to reported problems or difficulties in the FFEL Program
- ED's handling of special cases or exceptions when reporting problems or difficulties

The average ratings for the program aspects delineated in Question 20 ranged from 1.4 for timeliness of receipt of loan funds under EFT processing to 2.8 both for the Department of Education's responsiveness to reported problems and the Department's handling of special cases or exceptions (Table 1.4a, Volume Two). In terms of the percentage distribution of responses, timeliness of receipt of loan funds under EFT processing was rated *very satisfactory* by 71 percent of the respondents; relationships with primary lenders and guarantors were rated *very satisfactory* by more than half of the institutions (54 percent and 57 percent, respectively); timeliness of receipt of loan funds under manual processing was rated highly by approximately one-third of the respondents; and the remaining three program aspects—workload to counsel borrowers, ED's responsiveness to reported problems or difficulties, and ED's handling of special cases or exceptions—were rated *very satisfactory* by less than 20 percent of the survey participants (Table 1.4, Volume Two).

Survey of Federal Family Education Loan Program Institutions

Institutional Satisfaction with Various FFEL Program Aspects	
Program Aspect	Percent of <i>Very Satisfactory</i> Ratings
Timeliness of loan funds under EFT processing	71%
Relationship with primary guarantors	57%
Relationship with primary lenders	54%
Timeliness of loan funds under manual processing	32%
ED's handling of special cases and exceptions	18%
ED's responsiveness to reported problems	17%
Workload to counsel borrowers	16%

The percentage of institutions that expressed an above average opinion of the program aspects was:

- 92 percent for timeliness of loan funds under EFT processing;
- 82 percent for relationship with primary guarantee agencies;
- 81 percent for relationship with primary lenders;
- 67 percent for timeliness of loan funds under manual processing;
- 47 percent for workload to counsel borrowers;
- 44 percent for ED's handling of special cases and/or exceptions; and
- 43 percent for ED's responsiveness to reported problems.

The satisfaction ratings were further examined by key institutional characteristics to determine if there were any variations from the overall survey results. The ratings were consistent for all but two categories—institutional type and control, and decision regarding application for the Direct Loan Program (Tables 1.4b - 1.4j, Volume Two).

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- Two-year public, four-year and proprietary institutions reported that they were *very satisfied* with the timeliness of receipt of loan funds under EFT processing somewhat more frequently than 2-year private schools.
- Year 2 Direct Loan schools were less likely to give the timeliness of receipt of loan funds under EFT processing a *very satisfactory* rating than institutions that intend to or have applied for Year Three, those for which the application for Direct Loan was rejected, or those not planning to apply for the Direct Loan Program.

Overall satisfaction with the Federal Family Education Loan Program was directly related to satisfaction with the individual program aspects mentioned above. Respondents tended to consistently report their levels of satisfaction with key program aspects and their general level of satisfaction with the overall program (Table 1.4k, Volume Two). A comparison of average ratings for program aspects by overall satisfaction further supported these results. For each component of the FFEL Program, the average satisfaction rating increased (indicating a lower level of satisfaction) as current program satisfaction ratings increased (Table 1.5i, Volume Two).

Institutional Effort Associated with Program Administration

FFEL Administrative Support

More than half of the responding schools reported extensive activities in support of the administration of FFELP performed by the Business/Bursar's Office. In addition, over one-third of the schools which have computer support services reported extensive involvement of such staff. Of schools with a distinct accounting office, approximately 30 percent reported extensive support, and over 55 percent reported support from this office in only a few activities. The results showed that of all administrative offices, the Admissions Office was least likely to offer support to FFELP administration; equal proportions of schools reported no support as reported few supportive activities from this office (Table 2.1, Volume Two).

Level of Satisfaction with Overall Effort and with Effort Required for the Specific Activities Involved in Administering FFELP

Question #8

How would you characterize the level of work or staff effort needed to **administer** this program on a day-to-day basis? (Check only one. If you are using EFT and manual processing, please take both into account when answering.)

- Very easy to administer
- Relatively easy to administer, with a few areas that require a high level of effort
- A moderate amount of effort is required overall
- Relatively labor intensive to administer, with many areas that require a high level of effort
- Very labor intensive to administer

Survey of Federal Family Education Loan Program Institutions

Question #10

In terms of the amount of staff time required, please indicate your level of satisfaction with each of the activities [listed below] involved in administering the Federal Family Education Loan Program.

- Keeping up with regulations
- Answering general questions about loans and financial aid
- Counseling borrowers while in school
- Helping students with loans after they have left school
- Processing of loan applications
- Receipt of loan funds
- Disbursement of loan funds (including preparing loan checks and getting students to sign)
- Refunding excess loan funds to students
- Financial monitoring and reporting
- Recordkeeping and reporting of student information (includes SSCRs and financial aid transcripts)

In general, the highest percent of respondents (37 percent) perceived the FFEL Program as requiring a moderate amount of effort to administer (Table 2.3, Volume Two). Approximately one-fourth felt that the program was *relatively labor intensive* to administer, and 24 percent indicated that FFELP was *relatively easy* to administer. Only a few respondents reported extreme opinions, with 7 percent of the institutions characterizing the program as *very easy to administer* and 6 percent perceiving FFELP as *very labor intensive*.

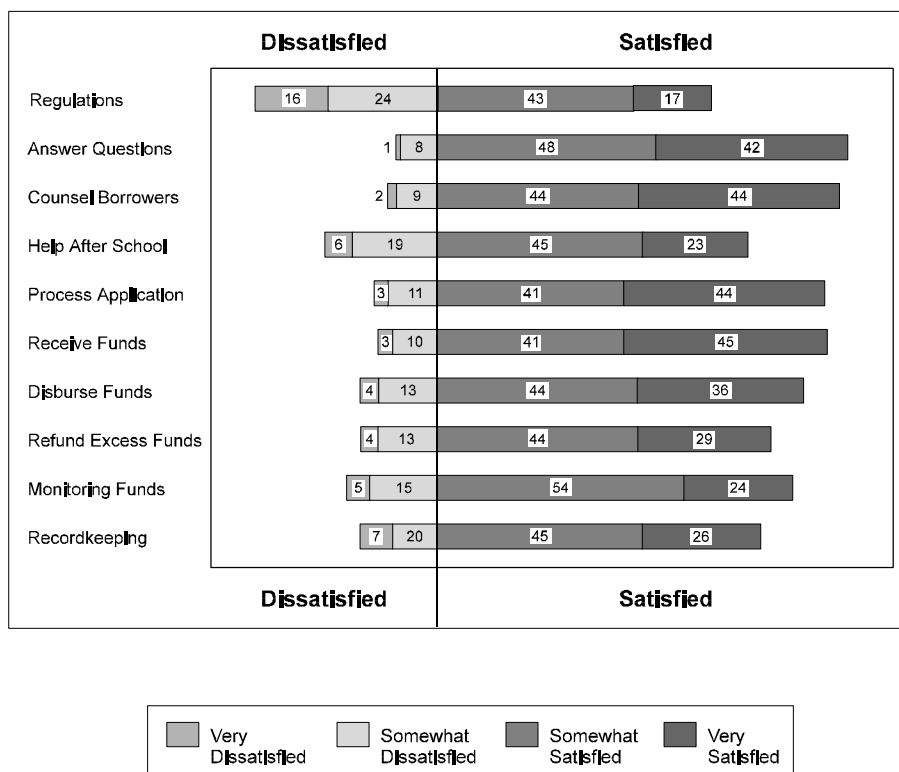
With respect to specific administrative activities, more schools were satisfied with the level of staff effort required to answer general questions about loans and financial aid (90 percent) and with counseling borrowers while they are in school (88 percent) than they were with any other administrative tasks (Figure 5). In addition, over 80 percent reported satisfaction with the level of effort required to process loan applications, and to receive and disburse loan funds. Approximately 70 percent of institutions were satisfied with the level of effort needed to refund excess loan funds; perform financial monitoring, reporting and recordkeeping tasks; and provide students with loan assistance after they have left school. The fewest number of schools reported being satisfied with the level of effort needed to

Survey of Federal Family Education Loan Program Institutions

keep up with regulations (60 percent) (Table 2.2, Volume Two). Responding schools specified those factors which

Figure 5

Satisfaction with Effort Required to Administer FFEL Program Administrative Activities



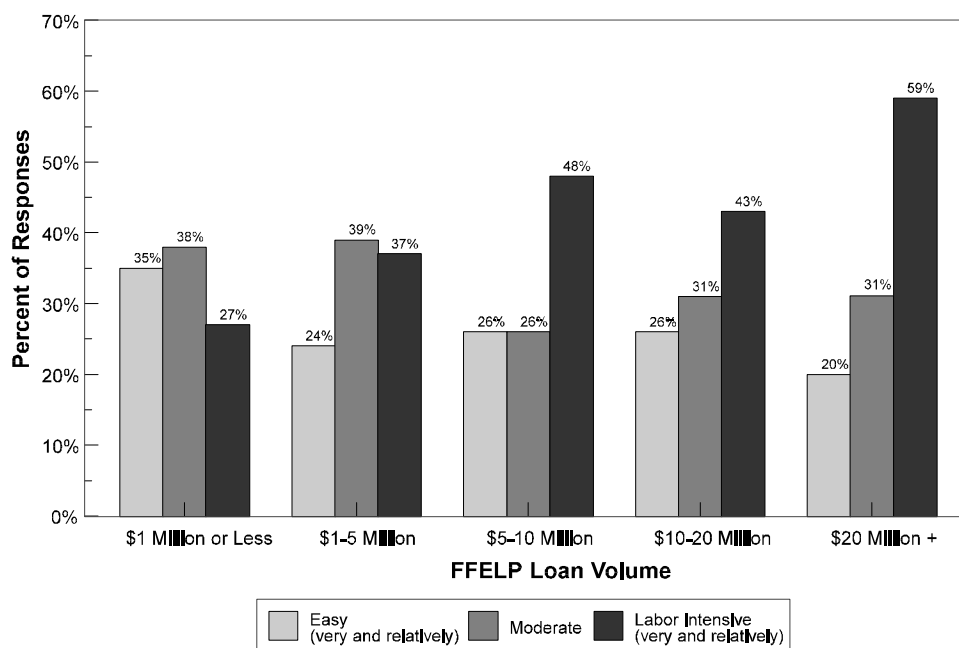
most often contributed to their dissatisfaction with the level of effort required to keep up with regulations—the number of regulations, the frequency of regulatory changes, and the resulting system complexity.

Proprietary schools were more likely to report satisfaction with all aspects of FFELP administration than any other type or control of institution, while 4-year public schools were generally less satisfied with the program aspects (Table 2.2a, Volume Two). The proportion of other types of institutions that reported satisfaction ranged around the average for all institutions, with 2-year private-schools slightly more likely to report satisfaction than the 2-year public or the 4-year private schools. The relative ranking of each of the administrative activities did not show much variation by type or control of school.

Survey of Federal Family Education Loan Program Institutions

FFELP loan volume was clearly related to ease of administration and satisfaction with the level of effort needed for administering this loan program. For almost every administrative activity, there was an inverse relationship between satisfaction and loan volume. With the exception of schools with loan volumes ranging from \$10-20 million, the larger the loan volume, the less likely the school was to report being satisfied with the level of effort required for administration activities and the more likely a school was to report that an intensive effort is required for administration (Figure 6). This finding might be related to the fact that schools with high loan volumes tend to deal with the largest number of lenders and guarantors—a factor which was also inversely related to satisfaction with level of effort and ease of administration.

Figure 6
Reported Level of Effort for Administration
of FFELP Activities by Loan Volume



A particularly surprising result was the high proportion of schools with manually administered financial aid that reported satisfaction with administrative activities. Only those with contracted servicers were more likely to report satisfaction. While there were minor differences in some areas, such as monitoring and reporting financial data, schools with manual systems were substantially more satisfied with the level of effort required to

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record and report student data, and receive and distribute funds—all processes typically assumed to be streamlined or simplified by automation. This finding might be explained by the fact that schools with manually administered financial aid are likely to have relatively low loan volumes, and, thus, streamlined administrative activities. Schools with mainframe computers were consistently less frequently satisfied with the effort required to administer these functions than schools with other combinations of mainframe and PCs or only PCs. In support of this observation, more schools with manual financial aid systems (31 percent) reported that FFELP is *very* or *relatively easy* to administer than schools with any other system configuration, especially schools with mainframe computers (24 percent) (Table 2.2f, Volume Two).

The majority of the schools indicated that they regularly deal with 10 or fewer lenders—about one-fourth indicated one or two; another fourth said they use six to ten lenders; and just under one-third reported three to five lenders. As indicated earlier, satisfaction with the level of effort required to perform the FFELP administrative tasks and reported ease of FFELP administration were both inversely related to the number of lenders with which a school deals. The largest differences in proportions of schools reporting satisfaction was for the tasks of disbursing funds, receipt of funds, and processing loan applications. This was not an unexpected finding, since each of the multiple lenders may have a different loan application form, release loan checks on different time schedules, or batch checks to be disbursed separately—practices requiring additional time and effort of school staff. As shown in the following table, the data revealed three groupings of respondent satisfaction: the least satisfied schools were those regularly using 20 or more lenders (with the proportion of *very satisfied* 15 percent, 22 percent and 32 percent for disbursement, funds receipt, and loan application processing, respectively); followed by the group of schools using between 6 and 20 lenders (with 30 percent to 43 percent *very satisfied*); and by the group of schools using 5 or fewer lenders (42 percent to 54 percent *very satisfied*) (Table 2.2g, Volume Two).

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Institutional Satisfaction with FFELP Administrative Tasks by Number of Lenders					
Administrative Task	Percent of <i>Very Satisfied</i> Institutions				
	5 or Fewer Lenders		6 to 20 Lenders		More than 20 Lenders
	1-2	3-5	6-10	11-20	
Disbursement of loan funds	47%	42%	30%	30%	15%
Receipt of loan funds	53%	54%	38%	43%	22%
Processing of loan applications	50%	54%	36%	39%	32%

Dealing with multiple guarantee agencies also reduced the reported ease of administration and level of satisfaction with FFELP administrative efforts—the more guarantors, the fewer the number of schools that reported satisfaction. In addition to receiving and disbursing funds, the tasks with the lowest proportions of satisfaction were counseling borrowers, processing loan applications, and keeping up with regulations—all activities supported by guarantee agencies.

Institutional Opinions Regarding Satisfaction with the Federal Family Education Loan Program

Respondents were asked to provide comments regarding their general satisfaction with the Federal Family Education Loan Program. Approximately 300 institutions responded to this optional question. The comments varied in nature, ranging from "I prefer the FFELP over the Direct Loan Program," to "Direct Lending offers an opportunity to escape a chaotic situation and deliver a better level of service to students." While cited by 15 percent or less of those responding to this question, the most frequently mentioned comments are summarized below:

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- Satisfied with the Federal Family Education Loan Program.
- Would be more satisfied with the Federal Family Education Loan Program if the process was automated.
- Workload needs to be reduced and simplified.
- Competition from the Direct Loan Program has improved the Federal Family Education Loan Program.
- The Federal Family Education Loan Program would be more efficient if standard methods were used by all lenders and guarantors.

Other comments (mentioned by less than 5 percent of responding institutions) centered around the issues of:

- the need for improved customer service from the Department of Education;
- frustration in dealing with lenders and guarantors;
- the perceived high level of efficiency of the Direct Loan Program relative to FFELP; and
- the excessive regulations and bureaucracy associated with the Federal Family Education Loan Program.

Communications and Support from the Department of Education, Lenders and Guarantee Agencies

Question #'s 15a, 15b, 15d

Note whether you have received information/support from the Department of Education/your primary lender or its servicer/your primary guarantee agency or its servicer.

Rate the timeliness and usefulness of the information/support using a scale of 1-5, with 1 being very timely/useful and 5 being not at all timely/useful.

Services and Communications Received from the Department of Education

In general, the responding institutions were more satisfied with the usefulness of materials and support than with the timeliness of their receipt, as indicated by a lower average rating for usefulness than timeliness in three of the five categories. (Since an average rating of 1.0 represents the highest level of satisfaction, the lower the average ratings for timeliness and usefulness, the higher the levels of satisfaction.)

Forty-five percent of institutions indicated that they have received software (EDEXpress) for administration or reporting functions from the Department of Education. Overall, these institutions seemed to be fairly satisfied with the timeliness and usefulness of the Department-provided software.

- The average rating for timeliness of software receipt was 2.1, with 39 percent of these institutions indicating that the software was received in a *very timely* manner (Table 3.5c, Volume Two).
- The average rating for usefulness of software was 2.1, with 42 percent of institutions indicating that the software is *very useful* (Table 3.5d, Volume Two).

Approximately two-thirds of the responding institutions indicated that they have called the Department for telephone support. Once again, these institutions were fairly satisfied with both the timeliness and usefulness of the telephone support.

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- The average rating for timeliness of telephone support was 2.4, with 27 percent of responding institutions indicating that the telephone support was received in a *very timely* manner.
- The average rating for telephone support usefulness was 2.2, with 38 percent of institutions indicating that the telephone support was *very useful*.

Most of the institutions (95 percent) indicated that they had requested information on FFELP Program rules and regulations from the Department of Education.

- Institutions were less satisfied with the timeliness than with the usefulness of the information, giving the Department an average rating of 2.6 for timeliness.
- The schools gave the Department an average usefulness of 2.2, with 37 percent of responding institutions describing the information as *very useful*.

Typical comments from individual respondents included “Language in the regulations is cumbersome;” “Simplify [regulations] and use technology more effectively;” and “We received information too late to use it.”

Staff at over three-fourths of the FFELP institutions (79 percent) attended Department-sponsored training. Overall, these institutions indicated that they were reasonably satisfied with both the timeliness and usefulness of the training as evidenced by an average rating of 2.2 for timeliness and 2.1 for usefulness. The most popular comment made by respondents was a request for more frequent training.

Sixty-one percent of institutions have received materials for counseling borrowers from the Department. These institutions were satisfied with the timeliness of the materials as indicated by an average rating of 2.1, with 36 percent of schools indicating that they were

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very timely. The schools gave the counseling materials an average usefulness rating of 2.1, the highest average rating of the group. About 42 percent of institutions indicated that the counseling materials were *very useful*.

The percentage of respondents reporting dissatisfaction with materials and/or training provided by the Department was relatively low. However, the largest group of institutions reported dissatisfaction with the timeliness of telephone support (8 percent) and information on rules and regulations (8 percent). In terms of the usefulness of Department-provided services, the dissatisfaction ratings ranged from 4 to 8 percent across the various types of materials and training.

Services and Communications Received from Lenders

In regard to the number of lenders institutions deal with on a regular basis, schools were most likely to have relationships with a small to moderate number of lenders. Over half, or about 56 percent, of responding institutions indicated that they deal with one to five lenders on a regular basis, while just 12 percent deal with more than 20 lenders on a regular basis. Not surprisingly, institutions reported that the primary lender handles a relatively large portion of their loan volume. About 31 percent of institutions reported that their primary lender handles over 80 percent of their loan volume, while only 7 percent of institutions reported that their primary lender handles less than 20 percent of their loan volume.

In terms of the timeliness and usefulness of information and support received from their primary lender:

- About 21 percent of the responding institutions indicated that they have received software for administration or reporting functions.

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- These institutions were pleased with the timeliness and usefulness of the software, giving lenders a timeliness rating of 1.6 and a usefulness rating of 1.7 (Table 3.6a, Volume Two).
- On a percentage basis, 63 percent of institutions indicated that the software is *very timely* and 61 percent indicated that it is *very useful* (Table 3.6d, Volume Two).

Approximately 90 percent of institutions received telephone support from their primary lender.

- These institutions indicated that they were pleased with the timeliness and usefulness of the telephone support, giving their primary lender average ratings of 1.6 for timeliness and 1.6 for usefulness.
- Consistent with other services, 60 percent of institutions that received telephone support from their primary lender indicated that the support is *very timely*, and 64 percent indicated that it is *very useful*.

Overall, comments indicated that institutions applaud the availability and responsiveness of their lenders.

About two-thirds of the institutions received information on program rules and regulations from their primary lender. These institutions gave their primary lender an average rating of 1.7 for timeliness and 1.7 for usefulness. Identical ratings of 1.7 were also given for timeliness and usefulness of training sessions provided by primary lenders.

About 39 percent of responding institutions have participated in training sessions provided by their primary lender.

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About three-fourths (74 percent) of institutions reported that they have used materials for counseling borrowers provided by their primary lenders. Counseling materials earned lenders their highest average ratings of 1.6 for timeliness and 1.6 for usefulness. Additionally, 64 percent of institutions indicated that the counseling materials were *very timely* and 66 percent indicated that they are *very useful*. One respondent commented that “videos and resource kits are excellent.”

Services and Communications Received from Guarantee Agencies

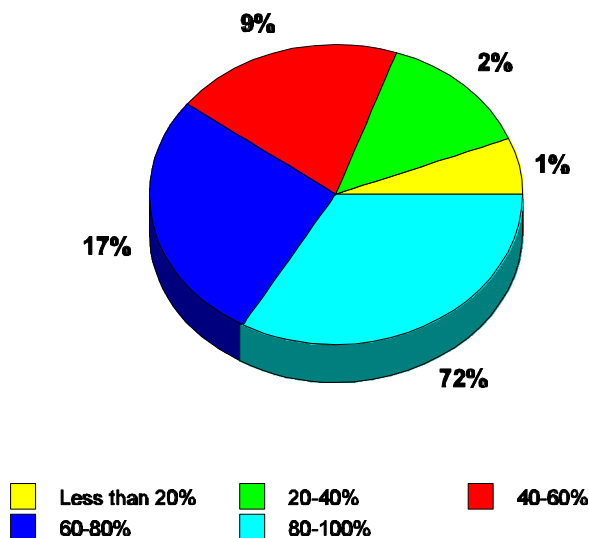
Institutions tended to deal with relatively fewer guarantee agencies than lenders. About 42 percent of responding institutions reported that they deal with only one guarantee agency and 40 percent of responding institutions deal with two or three guarantee agencies. Similar to primary lenders, the institutions' primary guarantee agency was likely to handle the majority of FFELs. As shown in Figure 7, about 72 percent of institutions reported that their primary guarantor handles more than 80 percent of their loan volume and an additional 17 percent of institutions reported that their primary guarantor handles 60 to 80 percent of their loan volume.

Overall, institutions appeared to be pleased with the information and support received from their primary guarantee agency. About 44 percent of the responding institutions specified that they have received software for administration or reporting functions.

- These institutions reported that they are pleased with the timeliness and usefulness of the software, giving guarantee agencies a 1.6 rating for both (Table 3.7a, Volume Two).

Figure 7

**Percent of Loan Volume Handled by
The Primary Guarantee Agency**



- Further, 62 percent of institutions indicated that the software was *very timely* and 66 percent indicated that it is *very useful* (Table 3.7d, Volume Two).

A large percentage (93 percent) of responding institutions indicated that they have received telephone support from their primary guarantee agency, and are pleased with the support received. They indicated that the support received was timely through an average rating of 1.6 and useful through an average rating of 1.6. As for lenders, comments suggested that respondents applauded the availability and responsiveness of their primary guarantee agency.

As with telephone support, a large percentage of institutions receive information on FFEL Program rules and regulations from their primary guarantee agency, and are pleased with what they have received. The average rating for timeliness of information received from guarantee agencies was 1.7 and the average rating for usefulness was 1.6.

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About 83 percent of institutions attended training sessions sponsored by their primary guarantee agency. These institutions were pleased with the sessions, with one respondent describing them as "very helpful and very applicable." Responding institutions gave their primary guarantee agency an average rating of 1.6 for timeliness and 1.7 for usefulness in this area.

Materials for counseling borrowers were sent to 87 percent of institutions by their primary guarantee agencies. Institutions appeared to be satisfied with these materials, as indicated by average ratings of 1.6 for timeliness and usefulness. Further, 62 percent of institutions rated the materials as *very timely*, and 65 percent found them *very useful*.

Comparisons of Services and Communications Received from the Department of Education, Lenders, and Guarantee Agencies

Several patterns emerged during the examination of the number of institutions receiving information and support from the Department of Education, lenders, and guarantee agencies, and the ratings given to each of these entities regarding the timeliness and usefulness of the information received. Institutions are more likely to receive software for administration or reporting functions, information on FFEL Program rules and regulations, and training from the Department of Education or from their primary guarantee agency than from their primary lender. The results also showed that schools are less likely to receive telephone support or counseling materials from the Department than from any other source.

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Percent of Institutions Receiving Information or Support from Various Sources			
	Department of Education	Primary Lender	Primary Guarantee Agency
Software for Administration or Reporting Functions	44%	21%	46%
Telephone Support	64%	87%	93%
Information on FFEL Program Rules and Regulations	95%	66%	94%
Training	79%	39%	83%
Materials for Counseling Borrowers	61%	74%	87%

Overall, institutions appeared to be more satisfied with the timeliness and usefulness of information and support received from primary lenders and guarantee agencies than information received from the Department of Education. Further, the average timeliness and usefulness rating for each information or support category was higher for the Department of Education than for lenders or for guarantee agencies. Since higher ratings indicate lower satisfaction levels, responding institutions were more satisfied, on average, with the timeliness and usefulness of information and support received from lenders and guarantee agencies than that received from the Department of Education. Department of Education's satisfaction ratings for timeliness ranged from 2.1 to 2.6, while those of lenders ranged from 1.6 to 1.7, and those of guarantee agencies ranged from 1.6 to 1.7. Likewise, the Department's satisfaction ratings for usefulness ranged from 2.1 to 2.2, while those of lenders ranged from 1.6 to 1.7 and those of guarantee agencies ranged from 1.6 to 1.7.

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Average Timeliness Ratings by Type of Information or Support from Each Source			
	Department of Education	Primary Lender	Primary Guarantee Agency
Software for Administration or Reporting Functions	2.1	1.6	1.6
Telephone Support	2.4	1.6	1.6
Information on FFEL Program Rules and Regulations	2.6	1.7	1.7
Training	2.2	1.7	1.6
Materials for Counseling Borrowers	2.1	1.6	1.6

Average Usefulness Ratings by Type of Information or Support from Each Source			
	Department of Education	Primary Lender	Primary Guarantee Agency
Software for Administration or Reporting Functions	2.1	1.7	1.6
Telephone Support	2.2	1.6	1.6
Information on FFEL Program Rules and Regulations	2.2	1.7	1.6
Training	2.1	1.7	1.7
Materials for Counseling Borrowers	2.1	1.6	1.6

Changes in the Federal Family Education Program Since Introduction of the Direct Loan Program

Overall Institutional Satisfaction with the Federal Family Education Loan Program Prior to July 1994 vs. Current Satisfaction

Question #s 21-22

Overall, how satisfied were you with the FFEL Program prior to July 1994 when the Direct Loan Program was implemented? Currently, how satisfied are you with the FFEL Program? On a scale of 1 to 5, circle your level of satisfaction.

Overall satisfaction with the Federal Family Education Loan Program was assessed both prior to implementation of the Direct Loan Program and for the current academic year.

As indicated earlier, approximately two-thirds of the FFEL schools were satisfied and 9 percent were dissatisfied with the program as it is currently operating. Roughly one-fourth of the institutions gave the program a neutral rating (Table 1.1a, Volume Two).

This compares with:

- 60 percent that were *satisfied*;
- 29 percent that were *neutral*; and
- 11 percent that were *dissatisfied*

with FFELP prior to introduction of the Direct Loan Program.

Responses were further examined to determine if there was a direct relationship between current and prior satisfaction with FFELP. The majority of institutions reported no change in satisfaction with the FFEL Program since the introduction of Direct Loans. Of those institutions indicating a change in satisfaction, the majority reported that they are more

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satisfied now than they were before. However, there did not appear to be great shifts in satisfaction levels, even among schools that thought the program had improved. Less than 10 percent of schools that were *very dissatisfied* with FFELP prior to July 1994 reported that they are currently satisfied with the program (Table 1.6, Volume Two).

General Perceptions of Change in the Federal Family Education Loan Program

Question #17

For the following aspects of FFEL Program administration, please rate any changes since the introduction of the Direct Loan Program, using the following scale: (1) = improved, (2) = the same, (3) = worsened, NA = not applicable:

- student access to loans
- ease of loan program administration
- service from lenders/guarantee agencies
- service from servicers/collection agencies
- service from other third parties.

Very few FFEL institutions reported that any of the program administration aspects had worsened since the introduction of the Direct Loan Program. Responses ranged from five percent for ease of loan program administration to one percent for service from third parties. A substantially higher percentage of institutions indicated that the program aspects had improved, with percentages ranging from 36 for service from banks and guarantee agencies, to 7 for service from third parties. However, the majority of respondents indicated that there had been no change along most of the listed dimensions. A large percentage of schools also noted that service from third parties was not applicable to their institution (Table 4.1, Volume Two).

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Perceptions of Improvement in FFELP by Program Aspect				
Aspect	Rating			
	Improved	No Change	Worsened	N/A
Student access	14%	55%	3%	28%
Ease of administration	19%	52%	5%	25%
Service from banks/guarantee agencies	36%	39%	3%	23%
Service from servicers/collectors	21%	47%	3%	29%
Service from third parties	7%	29%	1%	63%

Respondents were asked what changes they had made to their administration to resolve specific problems. About 550 institutions provided answers related to the question. The most frequent comments related to streamlining processing, adding computer equipment and technical staff, and, in general, adding staff. About 4 percent said they have developed in-house data management systems.

Variations in Perceptions of FFELP Improvements by Institutional Characteristics

Institutions of all types and controls most frequently reported improvement in service from banks and guarantee agencies. This ranged from more than 50 percent of 4-year institutions to 22 percent of proprietary institutions (Table 4.1a, Volume Two). Four-year institutions also indicated improvement in ease of administration more frequently than 2-year or proprietary institutions.

There was a trend in responding that services from banks and guarantee agencies have improved—schools with higher loan volumes more frequently reported improvement in this category. Fewer than half of the institutions with loan volumes less than \$5 million

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noted improvement in services from banks and guarantee agencies. The percent of schools reporting improvement was 26 for schools with loan volumes of \$1 million or less and 47 for those with loan volumes between \$1 and \$5 million. More than half of the schools with loan volumes exceeding \$5 million indicated improvement, with the highest percentage reported by institutions with loan volumes between \$10 and \$20 million (65 percent).

Use of EFT for FFEL administration seemed to make a difference in institutional perception of improvement in the program since 1994. More than half of respondents using EFT note improvement in services from banks and guarantee agencies compared to 32 percent of those who did not use EFT. Similarly, ease of administration and service from loan servicers was reported to have improved by 35 percent and 33 percent, respectively, of those with EFT, compared to 15 and 18 percent, respectively, of those who do not use EFT.

Similar trends to those noted for EFT usage were indicated for usage of EDEExpress to process loans, although somewhat less pronounced. Service from banks and guarantee agencies was said to have improved by 44 percent of those using EDEExpress, but only by 30 percent of those who do not use EDEExpress. Loan program administration was said to have improved by 22 percent of EDEExpress users compared to 16 percent of nonusers. Thus, the use of technology and "tailored" software appeared to improve respondents' perceptions of "services provided" and "ease of administration."

Interestingly, the more lenders that were involved in a school's administration of the loan program, the more likely respondents were to note improvement in service from lenders and guarantee agencies. These responses ranged from 18 percent of those dealing with one to two lenders, to 58 percent of those dealing over 20 lenders. A similar trend was found in the frequency of responses indicating that ease of administration has improved, but with less variation. These responses range from 13 percent of those dealing with one to two lenders, to 25 percent of those dealing with over 20 lenders. Perhaps these findings can be explained by the fact that the larger the institution, the more likely it is to have a high loan

volume to attract students from many geographic locations and to rely on mainframe processing. All of these factors, which have been associated with a higher level of satisfaction from banks and guarantee agencies, tended also to correspond with involvement by a larger number of lenders and guarantee agencies. The findings were similar for schools dealing with more than five guarantee agencies compared to those dealing with only one agency.

Institutional status of participation in the Direct Loan Program showed fairly consistent results relative to reports of changes in the FFEL Program. For example, both institutions that planned to participate in the Direct Loan Program and those that indicated they do not plan to apply cited improvements in service from banks and guarantee agencies with the greatest frequency among the program aspects.

Respondents who provided comments about their answers tended most frequently to note the positive aspects of the competition introduced by the Direct Loan Program. Some of their comments included: "Competition has improved the FFEL Program." "Seems Direct Loan has stirred up the guarantors." "They're not the only game in town. Banks have a shorter turnaround time now." "Banks and guarantee agencies have improved due to competition threat." Other commenters noted that students are more confused now than ever. Some of these comments included: "Very confusing to students and family." "Didn't need one more loan program to confuse students." A number of other respondents noted that their jobs have been made easier through electronic processing.

General Changes in Financial Aid Resources for Administering the Federal Family Education Loan Program

Question #18

Listed below are resources needed for the delivery of financial aid that may have changed at your institution. Please note if increases or decreases have recently occurred or will occur. This question refers **only** to changes that are a direct result of changes in the FFEL Program and that occurred or were budgeted to occur in the 93/94 or 94/95 federal award year:

- total number of staff positions related to financial aid (temporary or permanent)
- number of staff positions in accounting and business office
- number of staff utilized for technical support
- number of hours current staff work
- equipment/computers
- supplies (postage, copying, etc.)
- funds for training
- funds for staff travel
- develop/modify computer programming procedures.

The majority of respondents indicated that there is no change in the level of resources required to administer this program in the current academic year, with percentages ranging from 87 for staff in business and accounting areas to 50 for computer programming (Table 4.2, Volume Two). Significant increases in resources were noted by more than 10 percent of respondents in the following areas:

- 16 percent for computer programming;
- 14 percent for equipment/computers; and
- 12 percent for hours required by existing staff.

Small increases were most frequently reported for: computer programming (31 percent), equipment/computers (30 percent), supplies (28 percent), and hours required for existing staff (25 percent). Significant decreases in resources are reported by less than 3 percent and small decreases by less than 5 percent of respondents for any category.

Changes in Financial Aid Resources by Institutional Characteristics

The variations in reported resource changes were not substantial by type and control of institution. Four-year public institutions were slightly more likely than others to report significant increases in resources, chiefly in computer programming, existing staff hours, equipment/computers and supplies (ranging from 17 percent to 23 percent). They were also slightly more likely to report significant decreases (but less than 5 percent for any given category). All but the 2-year public institutions most frequently reported significant resource increases in computer programming and equipment/computers. The 2-year public schools more frequently reported significant resource increases in hours required by existing staff. Of all types and controls, the 2-year institutions most often reported no major changes in resources, however (Table 4.2a, Volume Two).

As expected, the higher an institution's loan volume, the more likely it was to report significant increases in computer programming resources. This category of resources is also reported to have incurred significant increases more frequently than any other across all levels of loan volume.

Schools with combination mainframe/PC systems tended to report significant increases in computer programming and equipment/computers more often than schools using other types of computer or manual systems. Because we do not know when major computer system changes may have occurred, it is difficult to assess whether many of these schools have recently upgraded their processing capabilities.

As the number of lenders and guarantee agencies involved in a school's administration of the loan program increases, so do the reports of significant increases in resources expended for administration. The resource categories most frequently requiring significant increases include computer programming, equipment/computers and hours expended by existing staff. For most schools, computer programming looms as the category most often requiring significant increase in resources, ranging from 10 percent of schools using one to

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two lenders to 25 percent of schools using more than 20 lenders. The trends are the same for number of guarantee agencies involved in administering the school's financial aid program.

Only 44 respondents offered comments to explain their responses to this question. The most frequent comments relate to the need to improve electronic processing. Several others commented on the increase in loan volume causing extra workload and an increase in paperwork.

Federal Family Education Loan and Direct Loan Programs: Decision Factors and Information Sources

Factors Affecting the Decision to Participate in the Federal Family Education Loan Program

Question #26

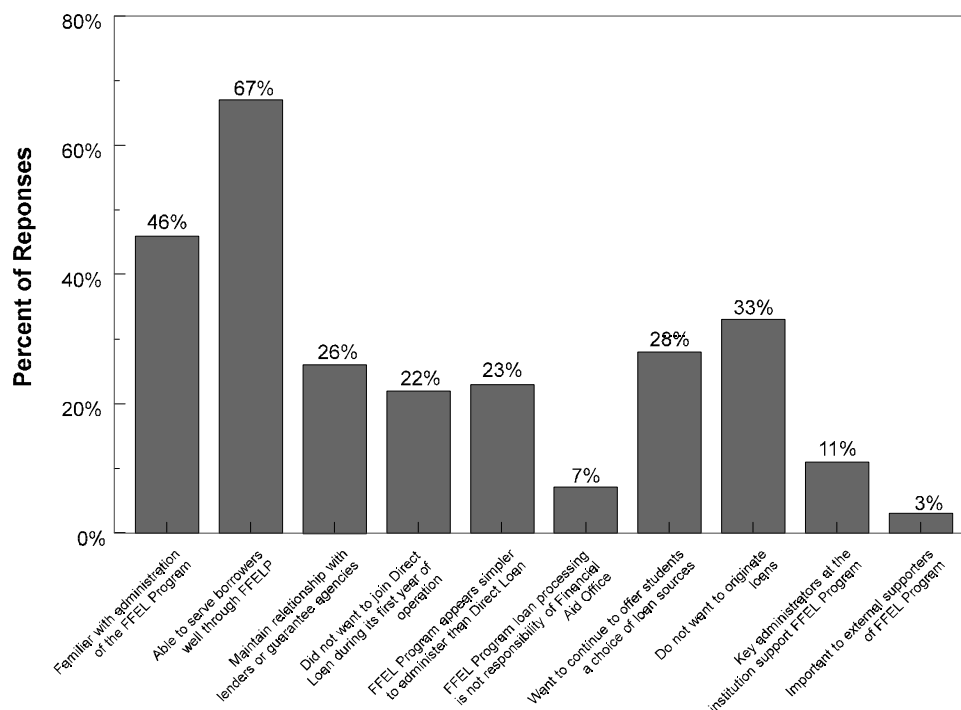
Please check up to three of the most important reasons [listed below] why your institution is currently participating in the FFEL Program.

- Familiar with administration of the FFEL Program
- Able to serve borrowers well through FFEL
- Maintain relationship with lenders or guarantee agencies
- Did not want to join Direct Loan during its first year of operation
- FFEL Program appears simpler to administer than Direct Loan
- FFEL Program loan processing is not responsibility of Financial Aid Office
- Want to continue to offer students a choice of loan sources;
- Do not want to originate loans
- Key administrators at the institution support FFEL Program
- Important to external supporters of FFEL Program (e.g., Board, funders, etc.)

Service to borrowers and familiarity with the Federal Family Education Loan Program were most frequently specified by institutions as the major reasons for current participation in the Federal Family Education Loan Program, with 67 percent and 46 percent of respondents (respectively) indicating these factors (Figure 8; Table 6.1, Volume Two). The percentage of responses in the remaining categories ranged from 33 percent for *do not want to originate loans* to 3 percent for *important to external supporters*.

For the various types of institutions, the ability to serve borrowers better remains the most prominent factor affecting the decision to participate in the Federal Family Education Loan Program. However, some variation by loan volume is indicated for *familiarity with the administration of the FFEL Program*, which appeared to be less important for schools with large loan volumes than for those with smaller loan volumes.

Figure 8
Most Important Factors Affecting the Decision to Participate In the Federal Family Education Loan Program



There is also variation by institutional type and control for the response option *do not want to originate loans*. Loan origination responsibility appears to be least important for 4-year public and proprietary institutions.

Sources and Impact of Direct Loan Program Information

Question #27

Did you receive information regarding the Direct Loan Program from any of the following sources [listed below]? If so, did these sources impact your institution's decision regarding applying to the Direct Loan Program?

- Department of Education
- Postsecondary education associations (NASFAA, CCA, etc.)
- Accrediting agency
- Lender or guarantee agency
- Loan servicing/collection agency
- Privately contracted servicing agency
- General media (newspapers, television, etc.)
- Friends or colleagues in student financial aid

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Virtually all (97 percent) of the responding institutions reported receiving information regarding the Direct Loan Program from the Department of Education (Table 6.2, Volume Two). Other major information sources included:

- postsecondary education associations (NASFAA, CCA, etc.) (79 percent);
- lender or guarantee agency (71 percent);
- general media (newspapers, television, etc.) (62 percent); and
- friends or colleagues in student financial aid (76 percent).

No substantial differences in information sources were found by institutional characteristics.

Information received from the Department of Education and from financial aid colleagues appears to have the greatest impact on institutions' decisions regarding the Direct Loan Program. Nearly half of the institutions that received information from these sources indicated that the information affected their decision regarding participation in the Direct Loan Program (Table 6.2a, Volume Two).

There was some variation in the level of impact of information by school characteristics:

- Information received from the Department of Education had the least impact on:
 - two-year (public and private) and 4-year private schools;
 - institutions with a mainframe only computer system;
 - schools that use a contracted servicer for electronic processing;
 - schools for which the Direct Loan application was rejected;
 - those not planning to apply for Direct Lending; and
 - those with all manual processing.

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- Information received from financial aid colleagues had the least impact on:
 - two-year private and proprietary schools;
 - schools that use a contracted servicer for electronic processing; and
 - schools with all manual processing.
- The impact of information received from the Department of Education is considerably higher (75 percent) for Year 2 Direct Loan schools than for any other key institutional types.

FFEL Institutions' Opinions Regarding the Direct Loan Program

Question #28

Please indicate your opinion about each of the following statements [listed below] regarding the Direct Loan Program, using the following scale:

- 1=Strongly agree
- 2=Somewhat agree
- 3=No opinion
- 4=Somewhat disagree
- 5=Strongly disagree

- It appears relatively easy to set up the Direct Loan Program at an institution.
- It appears relatively difficult to administer the Direct Loan Program on a daily basis.
- It appears that the Direct Loan Program may reduce staff time.
- It appears that the Direct Loan Program requires more computers/more equipment to administer than the FFEL Program.

The FFEL Program institutions were asked their opinions regarding implementation and administration activities associated with the Direct Loan Program.

Institutions tended to perceive the Direct Loan Program as somewhat difficult to start up, but were most likely to have no opinion regarding the difficulty of administration. Schools also indicated that implementation of the Direct Loan Program would not reduce staff time.

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Relative to the other statements, the highest percentage of the respondents (37 percent) strongly agreed with the statement, "It appears that the Direct Loan Program requires more computers/more equipment to administer than the FFEL Program."

Overall Comments Regarding the Federal Family Education Loan Program

Responding schools provided diverse comments and advice for ED. The majority, however, can be grouped into three areas—successful methods for resolving difficulties, improvements needed in FFELP and Direct Loan implementation issues.

Successful Methods for Resolving Difficulties

Institutions were asked how they have successfully resolved any specific difficulties encountered in the administration of the FFEL Program. About 44 percent of institutions indicated that they have successfully resolved problems through direct contact with their lender or guarantee agency. Likewise, 5 percent of institutions have resolved problems through contacting the Department of Education, and 4 percent through contact with other financial aid administrators and colleagues other than lenders, guarantee agencies, and the Department. About 10 percent of institutions have successfully resolved problems by implementing Electronic Funds Transfer or some form of electronic processing, and about 3 percent of institutions see their impending transition to Direct Lending as an effort to resolve problems with FFELP.

Suggested FFELP Changes

With varying levels of specificity, the schools suggest a simplification of FFELP regulations and procedures. Respondents are divided regarding issues such as treating all schools and students equally versus various proposals for separating schools on the bases of size or administrative quality measures. Some institutions stated that high quality should exempt schools from various regulatory requirements, such as multiple disbursements and the 30-day disbursement delay for first-time borrowers.

Survey of Federal Family Education Loan Program Institutions

In addition, schools expressed concern over rising student debt and their need to have more control over the loan process.

Institutional comments also focused on the area of improved customer service to schools from ED, with a few schools specifically comparing ED's service and support efforts for the Direct Loan Program to those for FFELP.

Comments Regarding Direct Loan Program Implementation

Responding schools are almost equally divided in their desire for ED to either mandate a single loan program or continue to allow schools to choose between the two programs.

Of those respondents specifically addressing Direct Lending issues, the areas of most frequent concern are:

- ED's ability to continue to provide a high level of support as the number of Direct Loan participants increases;
- the potential effects of congressional budget cuts on the Direct Loan Program's viability; and
- the future quality of servicing Direct Loans.

Institutional Preferences and Comments Regarding the Survey

Respondents were asked to indicate their preferences regarding the timing and magnitude of future institutional surveys. Approximately three-fourths (74 percent) of the schools indicated that they would prefer a single large survey, conducted annually. Only 26 percent of the responding institutions expressed an interest in two separate surveys (i.e., one primary survey and one condensed customer satisfaction survey, conducted 6 months apart from each other).

Some institutions offered opinions about the timing of this survey, suggesting that late fall or early spring might have been more convenient. Other comments pertained to the length of the questionnaire, which may possibly have been a function of the timing of the survey.

In terms of the questionnaire format and content, respondents frequently indicated that the survey instrument contained relevant questions, and was easy to complete without the need for major research. Typical comments include, ". . . Good, pertinent questions," and "Macro must have consulted some practical financial aid officers for questions."

In addition to the paper survey, respondents were offered the choice of survey completion over the Internet. Comments from the Internet respondents were generally very favorable. Responding schools often commented on the convenience, efficiency and excitement of survey completion via Internet. However, several respondents suggested modification of the system to allow periodic review of survey responses.