

Bio for Sue McMillin

Sue McMillin has served as TG's President and Chief Executive Officer since 2004. Sue joined TG in 1993 as Vice President of Operations and in 2002 was promoted to Senior Vice President for Customer Relations & Business Operations.

Before joining TG, Sue worked for Guaranty Federal Bank for 11 years in a variety of managerial roles including Vice President and Director of Deposit Operations, where she was responsible for managing retail banking support services for the Texas-based savings bank with 101 branches and more than \$7 billion in assets with operation centers in Dallas, Austin, and Houston.

Born in Cleveland, Ohio, Sue grew up in Midland, Michigan and is a graduate of Midland High School. Upon graduation, she moved to Texas to attend St. Edward's University, graduating summa cum laude with a bachelor's of arts degree – in 3 ½ years.

Sue serves on the Boards of ELM Resources, the National Student Clearinghouse and currently serves as the President of the National Association of Student Loan Administrators (NASLA). Sue also serves on the Board of United Way of Williamson County as Immediate Past Chair.

TESTIMONY OF SUE MCMILLIN, PRESIDENT & CEO
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BEFORE THE TEXAS SENATE HIGHER EDUCATION COMMITTEE

APRIL 26, 2010

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Madam Chair and Members:

My name is Sue McMillin. I am President & CEO of Texas Guaranteed Student Loan Corporation (TG).

Thank you for inviting me to provide testimony to you today on an issue we believe is of paramount importance to insuring continued, uninterrupted access to federal student loans and support services students are entitled to and institutions need.

TG is a public nonprofit corporation established by the 66th Texas Legislature in 1979 to administer the federal guaranteed student loan program for the State of Texas on behalf of the federal government. Today, serving as the designated guaranty agency for Texas, TG employs over 640 employees. These employees, historically, have administered a loan program that processes several billion dollars annually in federally-guaranteed student loans for more than 500,000 borrowers.

Today, TG maintains and services a \$32 billion federal loan portfolio, which we will continue to service for the federal government.

My testimony today focuses on two topics, the –

- 1) Impact of the Health Care & Education Reconciliation Act of 2010 on the delivery of federal student loans in Texas, and,
- 2) Continuing need of student loan support services to Texas student loan borrowers and schools.

Toward achieving this end, TG will be requesting changes to its enabling statute in order to be able to continue to provide, and to be able to afford to provide, the many needed and desirable programs and services described in my statement.

Federal student loans currently make up approximately two-thirds of the direct student financial aid awarded to students annually in Texas contrasted with 54% nationally.

Historically, up until recently, 90% to 95% of the federal student loans awarded to Texas students have been originated through the Federal Family Education Loan Program (FFELP) contrasted with approximately 70% nationally.

The Health Care and Education Reconciliation Act of 2010 (H.R. 4872) was passed on March 25, 2010 by the congress, and signed into law by the President on March 30, 2010 as Public Law 111-152.

While, the new law makes historic increases in the federal Pell Grant program and in investments in Minority Serving Institutions and community colleges, it does so with projected savings of \$61 billion over a ten year period generated by effectively repealing the 45 year old FFELP, as of July 1, 2010.

After June 30th, colleges and universities wishing to participate in the federal student loan program will be required to do so through the Federal Direct Loan Program (FDLP) since the new law mandates that there will be no new loan originations under the FFELP after that date.

This represents a dramatic change for Texas institutions, since Texas schools have, by and large, chosen to participate in the FFELP.

Because of this reliance on the FFELP, TG and the three higher education associations in Texas – the Council of Public University Presidents & Chancellors (CPUPC), the Independent Colleges & Universities of Texas (ICUT), and the Texas Association of Community Colleges (TACC) – engaged in a survey of Texas schools to determine the level of readiness of Texas 146 colleges and universities to transition to the FDLP, and to determine what student and institutional support services – both transitional and continuing – the schools would need moving forward in an “FDLP-only” environment.

The survey conducted as a joint undertaking of the Associations and TG, focused on assessing the overall readiness of Texas institutions in making the change to direct lending. Three quarters of the one hundred forty-six higher education institutions responded.

The key findings were:

Survey of Direct Lending Preparedness Among Texas Colleges and Universities (January 2010)					
Institutional Sector	Number of Institutions	Percent Not Currently in the FDLP	Percent of Non-FDLP in Some Stage of Transitioning	Concern Regarding Transition: Extreme, Very or Moderate	Indicated Transition Assistance Would be Helpful
Public 4-year and health-Independent 2- and 4-year	41	75%	87%	42%	29%
Community Colleges (TACC)	39	70%	81%	52%	40%
	25	71%	59%	88%	52%

Since January 2010 and the final passage and enactment of the legislation, there has been increased movement by Texas' schools to become "FDLP-ready". As of the end of March, the preliminary analysis still indicates there are only 31 four or two year public and private Texas schools fully participating in the FDLP and 130 schools which are in some stage of preparing for, or are in the process of , transitioning.

In addition, in terms of needing continuing services, 89% of public and independent institutions and all community college respondents indicated they will continue to need support services such as:

- Delinquency/default aversion and counseling
- Financial literacy
- Alternative loan processing
- Outreach and awareness of student financial aid
- Staff training

Some of the other services cited by schools that they will continue to need and their borrowers are entitled to receive included:

- Exit counseling
- Educational debt management training
- On-line and in-person counseling and education for students on alternative loan products
- Quick responses to questions concerning loan issues, e.g., disbursement, graduation date changes, interest rate changes, etc.
- Follow-up with delinquent borrowers

- Assisting in school challenges to cohort default rate calculations

In addition to the survey findings concerning the need for transitional and continuing support services, schools have also cited an overarching concern of the impact of moving to a three-year cohort default rate calculation and the need for enhanced delinquency and default prevention training. TG has developed default prevention tools for use by TG's own default prevention staff and schools which use risk factors developed by the National Center for Educational Statistics and borrower information maintained by TG. These tools identify those borrowers who are most at-risk and those that are less at-risk of finishing school and repaying their student loans, thereby allowing delinquency and default prevention efforts to be most effective in targeting delinquency and default prevention efforts.

These are among the many services TG has provided to Texas students and schools since its creation in 1979, and comprise some of the services which students and schools have been entitled to under the FFELP. These services are provided at no cost to the students, schools or the State

TG will continue to provide services to schools and borrowers on loans made under the FFEL program, consistent with our federal mandate, as we have for the past 30 years, until the borrower has successfully repaid the loan.

It is anticipated that under the FDLP, it will be the responsibility of each participating school to be solely responsible for managing and administering its newly originated FDLP student loan portfolio. This may require schools to add staff or use the services of third-party contractors.

TG has established itself as a key partner in the state's efforts to inform, enroll, retain, and graduate more students from the state's historically underrepresented populations. TG has always served **all** schools, regardless of the school's choice of federal loan program participation, with its array of student and school support programs.

TG is established in state law as a public non-profit corporation, not a state agency and, while subject to oversight by the state executive and legislative branches of the Texas state government, it is not part of the state's appropriations process and its finances are completely separate from the state. TG's operations are funded through fees paid by the federal government which are based on loan volume and our ability to prevent delinquencies

and defaults, and collect on defaulted student loans. Neither the State of Texas nor borrowers pay for TG's programs or services.

TG has developed and maintained strong relationships with Texas' colleges and universities, including those that have chosen to participate in the FDLP prior to the current year. Because of TG's state focus, TG has been able to offer these support services tailored to the needs of an institution when requested. As a result, the Texas federal student loan cohort rate has remained relatively low based on the characteristics of its portfolio and the overall degree of reliance on federal student loans. The most recent draft cohort default rate for Texas is 8.79%, which is slightly higher than the projected national cohort default rate.

Borrower and school support services that TG has provided, **at no charge**, to students, schools, and the State of Texas during its 30 years of existence include, but are not limited to:

- Delinquency/default prevention through our Integrated Default Aversion software, on-site training, and planning capabilities;
- Systems and tools to provide data exchange, promissory note completion, eligibility verification, and funds delivery and works with students and schools in order to meet each school's unique needs;
- Web-based loan origination, processing guarantees, preparing master promissory notes, and Electronic Funds Transfer for federal, and alternative student loans originated through the Texas Higher Education Coordinating Board and private lenders;
- Debt management counseling for borrowers (in-school and in repayment);
- Student financial aid staff training through on-site, and regional training, annual conferences, and webinars;
- Administration of the state's toll free financial aid information call center established by the Texas Legislature in 1999 (888-331-8881), Adventures in Education (www.AIE.org), and Mapping Your Future (www.mapping-your-future.org) to assist students and families with information and planning for higher education;
- An ombudsman to address customer concerns;
- Policy and regulatory support for schools;
- Financial Aid training;
- Financial literacy programs;

- Advocacy at the state and federal level for student financial aid and as a resource for policymakers (www.tgslc.org/publications/index.cfm; www.tgslc.org/publicpolicy/legislative.cfm; www.tgslc.org/research/index.cfm).

In summary, Texas' institutions of high education need to immediately ready themselves for the conversion to the FDLP to the extent that they have not already done so. TG is working with schools and the Department of Education to provide information and consulting with schools to assist with the conversion.

TG is also discussing a long-range proposal with the Department which would allow TG to continue to provide certain of the key services outlined in my testimony to Texas students and schools to insure the continuation of these fully exportable and necessary student and school support programs and services.

TG believes that both students and schools have come to expect the availability of these needed services, and that they are entitled to continue to receive them, irrespective of the methodology or program by which student loan funds are delivered to students.

While TG will continue to provide these services to the FFELP borrowers represented within our existing \$32 billion FFELP portfolio, there can be no assurance at this time that the U.S. Department of Education will contract with TG to provide these services under the FDLP. However, TG remains hopeful and works vigilantly to help make the continuation of services a reality, and requests the legislature to assist in this effort.

We look forward to working with the Committee and staff during the interim on issues concerning proposed statutory changes that will further ensure TG's ability to continue to serve the student schools, and families in Texas.

Thank you.