



Degrees Without Boundaries

**Banks Committee
and
Higher Education and Employment Advancement Committee
September 10, 2008**

**Testimony by
Ed Klonoski
President, Charter Oak State College**

Senator Bob Duff, Senator Joan Hartley, Representative Roberta Willis, Representative Ryan Barry, and members of the Banks Committee and Higher Education and Employment Advancement Committee - I am Ed Klonoski, President of Charter Oak State College.

My testimony will be brief. I and my Director of Financial Aid, Deborah Flinn, are here to make a case for the needs of Charter Oak State College's students. Those students are all adults, which means that they are often planning and re-paying parent loans for their children. When our students plan for their own education that planning can involve two sets of loans—the first for their children and the second for them. This complexity makes Charter Oak students particularly careful about their financial liabilities. They are wary about over exposing themselves and we are careful to keep them from the consequences of over borrowing, including the possibility of defaulting on a federal loan. This has consequences to the student as well as to our institution.

Recently, we have had several major changes with our student loan providers:

- **Student Loan Express** opted out of the FFELP (Federal Family Education Loan Program) program in April causing disruptions with student servicing, including disbursements and reallocations of funds.
- **Bank of America** changed servicers requiring students to complete new master promissory notes.
- **Citizen's Bank** changed guarantors from EdFund to ASA requiring program changes within several financial aid management systems.
- **Citibank and Wells Fargo** redlined Charter Oak State College due to low volume.

While none of these changes stopped Charter Oak students from attending, the additional paperwork, programming changes, and coordination efforts were stressful for our students and our staff.

The next question that Charter Oak faces is whether to continue using private lenders that participate in the FFELP program or switch to the Direct Lending program administered by the Federal government. We aren't sure what the costs of that switch will be for the College, and we are not sure that the Direct Loan Program will be able to support a mass exodus from FFELP to its system. Again, it is the uncertainty that is troubling.

These issues—sudden changes by our private lenders, how they conduct business with us, and the decision whether or not to process loans through Direct Lending—point to our central concern. The higher education community needs to be reassured that the Federal Family Education Loan Program is stable and that funds continue to be readily available. We as a community need to closely monitor the lending climate and its impact on the borrowing needs of our students who rely on education financing. We need your help to discover the answer to that question and look forward to a continued dialogue with you on this topic.

Thank you for listening, and we are available for any questions that you might have.