

Prepared Statement of

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Good morning, my name is Jim Belvin. I am the director of financial aid at Duke University in Durham North Carolina. I have been in financial aid for almost 29 years. Although I have been at Duke throughout this period, I have worked with many other institutions and now chair the 568 Presidents' Technical Committee which includes over 30 institutions. As you may know, this growing group of educational institutions has come together in an effort to support need-based aid as the most appropriate manner in which to help insure that students have access to higher education. This group has developed and implemented the Consensus Approach to Determining Family Ability to Pay.

Although I am a long-time and satisfied user of Sallie Mae products, I appear before you today not as an advocate for Sallie Mae, but as a long time advocate for the Federal Family Educational Loan Program (FFELP). I am happy to share my thoughts on the central issue before your committee - the value of choice and competition for students and families.

Let me give you an example from the federal level - ten years ago, there was a debate in Congress about whether the Federal government should make all student loans through a "Direct Loan" program - under this program, the government would serve as the lender. I had the honor of testifying before both the Senate and House. I testified then as to my firm belief that the private sector was best positioned to partner with educational institutions to deliver student loans to our students. I took this position for several reasons, the most important of which was the fact that I believed then as I believe now that competition between the various lenders in the private sector would serve to enhance the array of services available to our students. Moreover, I understood then that a vibrant and competitive market-place provided institutions with the opportunity to demand the best in service and pricing from those lenders with whom we choose to do business. Choose or Choice is the key word here. As is clearly the case in other competitive markets, the consumer in this case the institution... has the opportunity to simply move its business to another provider when and if it is not satisfied with the policies, services or pricing offered by its current provider. Under the Direct Lending program then being considered by Congress....or for that matter....any other single provider marketplace, I knew the ability to simply move our- business would not be available. Said another way... my institution... and more importantly....our students would have only once choice. That, in my opinion both then and now meant no choice.

This ability to move our business has proven to be very helpful. Several years ago one of our lenders decided, over our objection, to begin "cold calling parents in an attempt to encourage

them to consider PLUS loans. I made my objection very clear ... we were the point of contact with parents ... not the lender. We insisted that we have the opportunity to work with and counsel parents as they struggled to find ways to make higher education affordable. I noted that we understood the family's needs in the context of their financial circumstances and aid eligibility and that we were, therefore, best positioned to help them develop paying for college strategies. I informed this lender that we would immediately stop doing business with them if they began this practice. They did and we did and we did it noisily! I suspect that a number of my colleagues at other institutions reacted as we did to this unfortunate new policy. While I don't know how many institutions stopped doing business with this lender, I can tell you that they changed their policy almost immediately. Although they requested that we reconsider our decision in light of their policy change, it was too late. This may seem to be an unimportant little incident ... but I believe that it underlines the value of competition in the market place....and our students and their families clearly benefited from the power of the private lending market and the choice it offers.

There are other reasons why I value the private market and the competitive zeal lenders bring to student lending. On at least two occasions, I have gone to lenders to propose that they develop new loan programs. In each case they worked carefully with our institution to do just that. Sallie Mae's Signature Select Program is the latest example. I invited Sallie Mae, The College Board and several of my colleagues to Duke to develop an alternative loan program that offered a risk/reward position to institutions seeking to provide private loans to students that might not otherwise be able to borrow at the levels required.

The Signature Select Loan Program was initiated at Duke in the following year and is now available nationally. It has served our students and their parents well.

On another occasion I proposed the creation of CommonLine to Sallie Mae and the USA Group. They worked together to develop and introduce this technology which continues today to serve as the primary communication link between lenders and institutions.

I point to these two examples not because, my role in them was particularly important, but because I believe they again illustrate the power of a private and competitive market place. Lenders know that they must produce for our students and families as we will simply go elsewhere and we know that someone else will be happy to be responsive to our students' reasonable needs.

The value of a competitive market holds true in my home state as well, where we have the good fortune of having a wonderful state lending agency. College Foundation of North Carolina Inc. works closely with our families and students to provide educational loans, grants, college application and counseling support. Many of our North Carolina students borrow through CFI and are very happy with the relationship ... as are we. But, we don't place all of our business with CFI, we invite a number of lenders on to our campus because we want our students and families to have the full advantage of the dynamic aspects of what is a vibrant and competitive marketplace.

This ends my testimony. I thank you for your time and will be happy to answer any questions you might have.