

# 1990s THE INFORMATION AND TECHNOLOGY MOVEMENT



*"When we make college more affordable, we make the American dream more achievable."*

—President William Jefferson Clinton

The nineties were known as the information era. Many households owned computers, cell phones were showing up in almost every pocket, and the creation of the World Wide Web had quickly transformed how people accessed information and communicated with one another. Due to the growing complexity of federal aid programs, financial aid offices were among the first departments on campus to embrace this new technology. Bulky typewriters were replaced with personal computers connected to computer networks.

The 1992 reauthorization of the Higher Education Act brought about a much-needed overhaul of the Guaranteed Student Loan Program. Renamed the Federal Family Education Loan Program (FFELP), the loan programs experienced an increase in loan

limits and expanded eligibility requirements. As a result, the total amounts borrowed through FFELP during the nineties surpassed education loan borrowing during the sixties, seventies and eighties combined.

Unfortunately, the increased borrowing resulted in more defaulted loans. Investigations uncovered massive abuses of student loans by borrowers and some unscrupulous schools. The federal government reacted with a series of new laws and regulations aimed at reducing loan defaults and holding accountable all program participants. CSLF developed a new in-house system for defaulted loans to monitor and collect delinquent loans more efficiently. CSLF also implemented a series of default reduction strategies designed for both schools and borrowers. One of CSLF's

biggest challenges during this time was to maintain access for all students, including high-risk borrowers, while weeding out those who simply wanted to abuse the system. In the end, there was a plummet in default rates, at CSLF and across the nation, and public confidence in the loan programs was restored.

Not surprisingly, the increase in loan growth, the complexity of the loan process, and the media attention on default rates raised concerns among legislators and the public that the FFELP programs were becoming too costly for the federal government. In response, the government created the William D. Ford Federal Direct Loan Program in

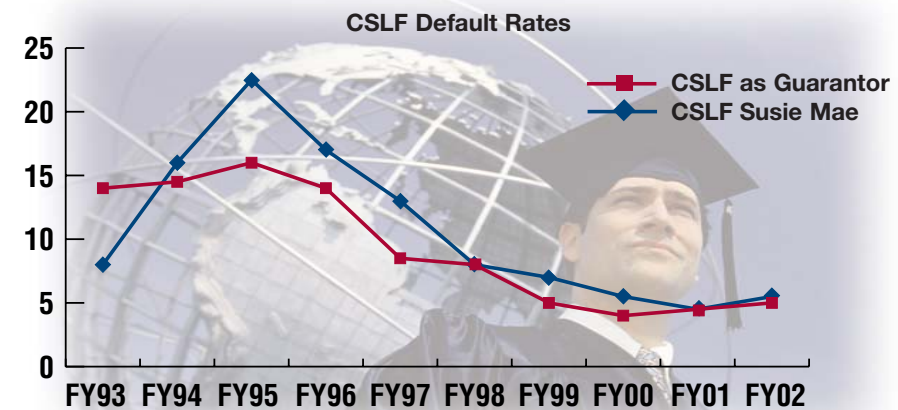
*"CSLF has developed a default prevention and management plan that I feel is better than any I have been involved with over the past 15 years."*

—JoEllen Soucier, Director of Financial Aid, Mount Wachusett Community College



## CSLF as a Default Reduction Partner

National default rates hit an all-time high of 22.4% in FY90. Like most participants in the federal loan programs, CSLF began analyzing the patterns of borrowers who defaulted on their loans. The company found that the students most likely to default on their loans were those who withdrew from school before completing their programs of study. Therefore, CSLF began a proactive education program for these students, including contacting them by both phone and mail to be sure they understood their loan obligations and their options for deferment and forbearance. In addition, CSLF goes above and beyond federally-mandated default reduction requirements by reaching out to any borrowers who appear to be experiencing payment difficulties.



**1990**  
CSLF converts to an in-house defaulted loan servicing system to track loans more efficiently. CSLF offers participating lenders a loan origination and disbursement service. National default rate peaks at 22.4%.

**1992**  
Vincent Maiocco retires and Mark Valenti is named the new president of CSLF.



**1992**  
Reauthorization of HEA renames the GSL program to the Federal Family Education Loan Program (FFELP) to include the Federal Stafford Loans (Subsidized and Unsubsidized) and PLUS. Annual and aggregate loan limits are increased. Common application and promissory note for Federal Stafford Loans are developed.

**1993**  
Vincent J. Maiocco Scholarship is instituted to commemorate the retirement of CSLF's first president.



# 1990s

## THE INFORMATION AND TECHNOLOGY MOVEMENT

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### CSLF in the Professional Community

CSLF has a long-standing tradition of supporting professional financial aid organizations and associations through cash contributions in the form of sponsorships as well as in-kind support through training at conferences and association workshops, website development, meeting coordination, administrative support, etc. In 2004-2005, CSLF staff contributed approximately 2,500 hours to the support of professional associations in addition to its cash outlay for sponsorships, totaling about \$20,000.

CSLF has learned how to make the best use of strategic relationships with schools, lenders, guarantors, servicers and emerging partners in the loan business. With almost 375 years of collective experience in its management staff, CSLF is able to provide exceptional leadership and support to professional associations and other industry partners.

1993 as a pilot program to compete with FFELP. It claimed a simplified process by eliminating the “middlemen” at a presumably lower cost to the government.

The threat posed by Direct Lending and the rapid growth in the FFELP program created an unprecedented need for collaboration among lending partners who had grown accustomed to competing with one another. CSLF exhibited a strong allegiance with national and local organizations, such as the National Student Loan Clearinghouse and the National Council of Higher Education Loan Programs (NCHELP).

One result of the collaborative effort was the development of CommonLine, a pathway for providing consistent and efficient processing of student loan data. Another outcome was the creation of the Common Manual, a compilation of the FFELP loan processes and regulations. All of these improvements proved that FFELP would be a mainstay in the college market.

CSLF found itself undergoing a makeover as well. Mark Valenti was named president of CSLF in 1992 when Vincent Maiocco retired. While CSLF’s long-standing goal of providing access and choice remained a vital component of its mission, CSLF’s



new leader realized that the information age had ushered in a critical need for strong customer service and customized processes. Recognizing its tradition of excellence while embracing all that the future had to offer, CSLF expanded its mission once again—this time in the form of free money.

In 1993, CSLF established its first scholarship program to commemorate the retirement of CSLF’s first president, Vincent Maiocco. The scholarship is awarded to outstanding Connecticut students with financial need,

who have Federal Stafford Loans guaranteed by CSLF. Since inception, CSLF has raised approximately \$120,000 through the Annual Golf Outing for the Vincent J. Maiocco Scholarship Program, helping seventeen students finance their education.

By 1995, CSLF had become a technology-focused company ready to address the needs of tech-savvy students and their families. CommonLine was in place and CLEAR, an interactive voice response system, provided customers with automated loan information.

### CSLF in the Local Community

In recent years, CSLF has awarded scholarships through colleges and universities as well as directly to students, both in cash and in the form of loan forgiveness. Examples include the forgiveness of loans for Barnard Scholars (Connecticut State University System), a scholarship provided at the CAPFAA Fair for Educational Professionals and twenty \$1,000 scholarships that will be given to high school seniors and first year college students in 2005-06. All told, these scholarships currently total approximately \$40,000 per year.

CSLF finds itself often performing above and beyond the norm by helping students through local contributions and participation in education funding. For example, over the past few years, CSLF has generously donated to a backpack and school supplies program for children in a local domestic violence shelter. In 2004, when CSLF learned that the Rocky Hill Public Schools Alternative Education program was trying to find an affordable location for their high school, CSLF offered vacant space in its building. Although the fair market rental value for this space is \$15,000 per year, CSLF provides it free of charge.

*“This award will help my family...in numerous ways. It is simply pleasing to know that hard work is still being rewarded these days.”*

—Huy Huynh,  
2001 Vincent J. Maiocco Scholarship Recipient



**1993**  
National Student Loan Clearinghouse is created to provide a central resource in tracking student loan information. William D. Ford Federal Direct Loan Program is established, creating competition with FFELP.

**1994**  
Interest rates are changed from fixed to variable with a cap of 8.25% on Stafford Loans and 9.0% on PLUS Loans.

**1995**  
CommonLine is implemented at CSLF. The first electronic version of the Free Application of Federal Financial Aid (FAFSA) becomes available.

**1996**  
The Common Manual, a unified student loan policy resource, is published.



# 1990s

## THE INFORMATION AND TECHNOLOGY MOVEMENT

*Continued*

*“For as long as I can remember CSLF and all of the good folks who work there have been wonderful supporters of CAPFAA and other professional organizations and the betterment of the financial aid profession.”*

—Dominic Yoia, Senior Director of Financial Aid,  
Quinnipiac University, 2001-2002 CAPFAA President

### Customized Value-added Services

Over time, it seems that almost everyone is being asked to do more with less. CSLF has responded to the challenge with value-added services including application processing support, training workshops, early awareness programs, debt management sessions, workflow analyses, etc.

With the increased use of technology, CSLF has found new opportunities for supporting and expanding industry-wide initiatives. Examples include the development of CommonLine, Mapping Your Future and Meteor. EnRoute, CSLF's Internet-based loan processing system, continues to expand based on the changing needs of borrowers, schools and lender partners.

In addition, CSLF has worked closely with its school partners to take advantage of paperless processing, yet it has maintained manual processes to support those who prefer a hands-on operation. CSLF works with borrowers on whatever terms they choose – whether that is online, by phone or by mail.

CSLF was one of the first guarantors to go live with Sallie Mae's Laureate loan management system. Keeping its ear to the ground, CSLF realized that the increased use of technology meant that more customers required customized services to supplement the standard processes many agencies had in place. To assist with the flow at the financial aid offices, CSLF worked with schools to provide supplemental communications, mailings and publications for students. Many offices were still undergoing the transition to the new technologies and turned to CSLF for technical and administrative support.

CSLF also collaborated with the Connecticut Association of Professional Financial Aid Administrators (CAPFAA) to run the Financial Aid Hotline, enabling thousands of parents and students to call toll-free and later to chat online with practicing financial aid administrators. As the federal aid programs changed at warp speed, CSLF remained ever vigilant to ensure that no students would be left behind because they did not have access to

computers. This was all in an effort to continue the financial aid community's collective efforts to provide access and choice.

By the end of the decade, CSLF's growth as a company made it possible for CSLF to give something back to its borrowers. As a non-profit company, CSLF has never had to worry about stockholder demands. Instead of focusing on increasing its profits, CSLF was looking at what it could give back to its customers while simultaneously reducing the cost of borrowing for college.

As a Sallie Mae lender, CSLF began offering Stafford Loan borrower benefits in the mid-nineties. Now it wanted to go the extra mile. First, CSLF began waiving the guaranty (insurance) fee of 1% for all loans guaranteed by CSLF. The next step was to develop borrower benefit programs for Susie Mae Stafford and PLUS Loans. CSLF deliberately chose to offer guaranteed benefits on Susie Mae PLUS Loans, one of the first borrower benefit programs

in the nation aimed exclusively at helping parents reduce loan costs. The program was launched in July 1999 and promised parent borrowers an automatic interest rate reduction if they simply chose Susie Mae as their lender.

CSLF was also ready to begin accepting automatic loan payments directly from borrowers' bank accounts. Thus, the projected savings from these automatic payments were returned to participating parent borrowers in the form of an additional interest rate reduction.



A year later, CSLF began a guaranteed borrower benefit program for students who borrowed a Susie Mae First Rate Stafford Loan. As CSLF continued to grow, the Susie Mae borrower benefit programs expanded, first to Consolidation Loans and then in the form of an additional interest rate reduction for Stafford Loan borrowers if they choose to make automatic loan payments from their bank accounts.

As it came time to usher in a new millennium, a look back showed how far CSLF had come. It had grown from a state-funded guaranty agency in a one-room office to a single source agency with more than 160 employees in a technologically equipped building. Yet CSLF remained proud of, and true to, its original mission of making a college education accessible to all. By the turn of the new millennium, CSLF had guaranteed over 1.4 million loans totaling more than \$3.7 billion. In addition, the Susie Mae portfolio acquisition had helped CSLF lend almost \$400 million to students and families. Though one millennium had come to an end, for CSLF, a new era was just beginning.

### Achieving Affordability

Over the years, CSLF has offered a variety of borrower benefit programs in an effort to make college more affordable. In the mid-nineties, CSLF became a Sallie Mae lender and offered contingent borrower benefits for Stafford Loans that included an interest rate reduction after a specified number of on-time payments, a partial rebate of origination fees and an additional interest rate reduction for electronic payments. These benefits were later modified to offer a rebate of loan principal for students who made a series of on-time payments.

In 1999, CSLF as a guarantor began waiving the 1% guaranty (insurance) fee and CSLF Susie Mae was one of the first in the nation to offer guaranteed borrower benefits for PLUS Loans. That, in turn, created a demand for guaranteed borrower benefits for students and thus CSLF Susie Mae began offering a similar program for Stafford Loans a year later, with an added benefit for students who paid the interest on their Unsubsidized Stafford Loans while in school and during their grace period. With the growing interest in Consolidation Loans, it was no surprise when CSLF created a borrower benefit program for those borrowers too.



#### 1997

Schools are required to report and process federal financial aid through electronic means.

#### 1998

CSLF's Mark Valenti joins the Board of Directors of the National Student Loan Clearinghouse.

#### 1998

Reauthorization of HEA introduces Master Promissory Note (MPN). FAFSA on the Web becomes available. Loan Forgiveness Programs for Teachers and Child Care Providers are implemented.

#### 1999

CSLF waives 1% guarantee fee. CSLF offers first borrower benefit program for PLUS loans.

