Recently, the Department of Audit and Control conducted an audit of the State University Student Loan Service Center. The Student Loan Service Center is responsible for collecting National Defense Student Loans, Health Profession Loans, and Nursing Student Loans granted by University campuses. A number of items were found by the auditors to be general exceptions to both Federal and State prescribed procedures applicable to State University campuses, and to have contributed greatly to the problems in collecting these loans by the Student Loan Service Center.

One of the findings of concern to all of us is the high delinquency rate. This is important because the Federal Government has a policy of reducing the amount of new loan funds made available to campuses with high delinquency rates. Students at some of our campuses are suffering from the delinquency rate and its consequences.

The report also made recommendations for changes in the operation of the Student Loan Service Center, including turning delinquent accounts over to collection agencies. In addition, the report cited practices at the campuses that contribute to delinquency and are inconsistent with Federal requirements.

1. Loans are transferred to the Student Loan Service Center late. Late transfers have the direct effect of starting accounts off on a delinquent basis with the likelihood of their continuing to be delinquent.

2. Campuses fail to conduct exit interviews. There is a definite correlation between delinquency and the lack of conducting proper exit interviews. Borrower's resistance to exit interviews, as quoted in the audit report, "... should result in the college withholding services such as furnishing transcripts of grades, letters of recommendation, etc. and the student should be so informed."
3. Promissory notes are handled carelessly, including failure to have the note itself signed, as well as the schedule of advances.

The Audit Report also criticized the Student Loan Service Center in the area of fund balances reconciliation. In many instances the fund balances on campus records, Service Center records, and Department of Audit and Control records were not in agreement at the time of the Audit. After considerable difficulty, these balances were reconciled as of December 31, 1973. The auditors recommended that such a reconciliation be effected on at least a quarterly basis in the future. I believe you will concur that these quarterly reconciliations should be accomplished on a timely basis.

I would appreciate very much information about what's being done at your campus to ensure that all Federal and State procedures are being followed for this program. Our common goal is to insure a maximum of loan monies for your needy students.

Thanks very much for your help.

cc: Chancellor Boyer

James F. Kelly

This memorandum addressed to:
Presidents, State-operated Campuses

Copies for information only sent to:
Presidents, Community Colleges
Deans, Statutory Colleges
Chancellor Kibbee
Dean McGrath
President Miles
Vice Provost Risley