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Folder Title: 02/08/2002 [S. 1762] [771109]

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DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Barcode Scanning Sheet	Student Loan Interest Rate Amendments	1	11/14/2008	b2;

COLLECTION TITLE:

Executive Clerk, Office Of the

SERIES:

Saunders, G. Timothy (Tim) - Bill Files

FOLDER TITLE:

02/08/2002 [S. 1762] [771109]

FRC ID:

6358

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
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Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

LAW_M

771109

FG006-01

Barcode Scanning Sheet



Collection Code: **SECLOG**

Staff Name:

Document Date:

Correspondent: **TIM SAUNDERS**

Subject/Description: **OVERSIZE ATTACHMENT # 9465 NARA # 9356 BOX 1
FOLDER 3A BILL FILL RECEIVED FROM THE OFFICE OF
THE EXECUTIVE CLERK - FEB 08 02 ENROLLED BILL S.
1762 - STUDENT LOAN INTEREST RATE AMENDMENTS**



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

02 FEB 6 AM 10:20

THE DIRECTOR

February 6, 2002

MEMORANDUM FOR THE PRESIDENT

THE PRESIDENT HAS SEEN
2-802

SUBJECT: Enrolled Bill S. 1762 - Student Loan Interest Rate Amendments
Sponsors - Sen. Johnson (D) SD and Sen. Collins (R) ME

Last Day for Action

February 11, 2002 - Monday

Purpose

(1) Extends current student loan program borrower interest rate formulas through June 30, 2006, and establishes fixed borrower interest rates on loans made thereafter; and
(2) permanently extends the availability to lenders of special allowance payments on these loans based on separate lender interest rate formulas.

Agency Recommendations

Office of Management and Budget

Approval

Department of Education

Approval

Department of Justice

No objection (Informally)

Department of the Treasury

No objection (Informally)

Discussion

The Federal Government operates two major higher education loan programs for students and their parents: (1) the Federal Family Education Loan (FFEL) program, under which private lenders make student loans (guaranteed student loans); and (2) the Federal Direct Student Loan (FDSL) program, under which the Government provides loan funds directly to students, through their schools. Under the FFEL program, private lenders provide loan capital and the Federal Government pays interest subsidies to lenders for certain borrowers and guarantees loan repayment. Types of loans available include: (1) subsidized and unsubsidized Stafford loans to students; (2) PLUS loans for parents; and (3) consolidated loans that allow borrowers to combine existing student loans.

Separate interest rate structures for students and lenders are determined through statutory formulas, which Congress modifies periodically, usually by amending the Higher Education Act of 1965 (HEA). Generally, students and parent borrowers pay below market interest rates, and the Government provides certain payments to lenders depending upon the type of loan and status of the student borrower. In the FFEL program, for example, lenders may receive a "special allowance" from the Government (equal to 50 basis points) to provide a guaranteed rate of return on their loans, thus ensuring lender participation in the program.

The most recent reauthorization of the HEA in 1998 (P.L. 105-244) and the Ticket to Work and Work Incentives Improvement Act (P.L. 106-170) enacted various provisions that constituted a temporary rate structure that requires annual recalculation of student loan interest rates. In addition, the HEA specified that on July 1, 2003, the formula for calculating interest rates for new borrowers and lenders will change. The index scheduled to take effect is to be based on Treasury "securities of comparable maturity plus one percent." Additionally, lenders would no longer receive quarterly special allowance payments.

The Department of Education and others believe that lenders in the FFEL program may not be able to finance student loans under the change scheduled to take effect in 2003, because making loans would not be profitable.

Provisions of S. 1762

S. 1762 would extend to June 30, 2006, the interest rate formula for borrowers now in effect in both the FFEL and Direct Loans programs that otherwise would expire on July 1, 2003. It would amend the HEA to specify borrower interest rates for new FFEL and Direct loans made on or after July 1, 2006, as follows: (1) 6.8 percent interest rate for student loans; (2) 7.9 percent interest rate for PLUS loans; and (3) the lesser of the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent, or 8.25 percent, for consolidation loans.

The enrolled bill also would permanently extend the existing formulas that govern the interest rates that lenders earn in the FFEL program.

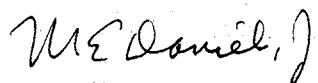
Pay-As-You-Go Scoring

S. 1762 would affect direct spending; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. The Congressional Budget Office (CBO) estimates that S. 1762 would decrease direct spending by \$180 million in FY 2002, and increase direct spending by \$345 million in FY 2003 and a total of \$8.2 billion between FYs 2002 and 2011. The FY 2002 net savings reflect increased income to the Federal Government from higher interest rates on loans expected to be consolidated after July 2003. (Budget scoring rules require the present value of the savings to be recorded in the year the changes become law.) The net increase in direct spending over the ten year period is associated primarily with special allowance payments that the Federal Government will provide to lenders in the FFEL program. OMB agrees with CBO's estimates.

Conclusion and Recommendations

The Department of Education recommends approval of S. 1762. Education notes that extending provisions for lenders to continue receiving special allowance payments is needed because "the impending expiration hinders lenders' ability to raise capital for new student loans, jeopardizing future student loan availability." According to Education, the enrolled bill would "head off a potential crisis in the FFEL program," and it would provide student loan borrowers with low fixed rates in the future.

We join ED in recommending approval of S. 1762, which passed the Senate by unanimous consent and the House by a vote of 372-3.



Mitchell E. Daniels, Jr.
Director

Enclosures



THE SECRETARY OF EDUCATION
WASHINGTON, D.C. 20202

January 29, 2002

Honorable Mitch Daniels, Jr.
Director
Office of Management and Budget
Washington, DC 20503

Dear Mr. Daniels:

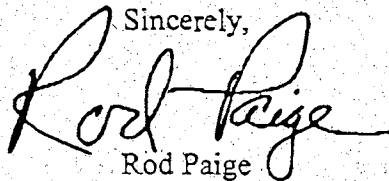
I am writing in response to your request for the views of the Department of Education on enrolled bill S. 1762, a bill "To amend the Higher Education Act of 1965 to establish fixed interest rates for student and parent borrowers, to extend current law with respect to special allowances for lenders, and for other purposes." I strongly support this enrolled bill, and recommend that the President approve it.

S. 1762 would extend a provision, due to expire July 1, 2003, that sets the special allowance rates paid to lenders on the several types of loans available under the Federal Family Education Loan (FFEL) program. The current provision bases those rates on a short-term, commercial paper rate, consistent with the rates at which lenders obtain capital. The extension of this provision is needed because the impending expiration hinders lenders' ability to raise capital for new student loans, jeopardizing future student loan availability.

The enrolled bill would also establish fixed student loan interest rates, effective July 1, 2006, of 6.8 percent, 7.9 percent, and the lesser of a weighted average or 8.25 percent, for subsidized and unsubsidized student loans, parent loans, and consolidation loans, respectively, under the FFEL and William D. Ford Federal Direct Loan programs.

There is strong bipartisan support in Congress to address the special allowance issue now, and, with the enrolled bill's inclusion of the interest rate provision, there is universal agreement within the higher education community regarding this extension. Moreover, the enrolled bill would head off a potential crisis in the FFEL program and would offer students and their parents fixed, low rates on student loans in the future.

For these reasons, I recommend that the President approve the enrolled bill, S. 1762.

Sincerely,

Rod Paige



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

THE DIRECTOR

February 6, 2002

02 FEB 06 AM 10:21

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 - Student Loan Interest Rate Amendments
Sponsors - Sen. Johnson (D) SD and Sen. Collins (R) ME

Last Day for Action

February 11, 2002 - Monday

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Agency Recommendations

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Approval

Department of Education

Approval

Department of Justice

No objection (Informally)

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No objection (Informally)

Discussion

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The enrolled bill also would permanently extend the existing formulas that govern the interest rates that lenders earn in the FFEL program.

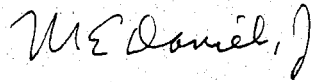
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Mitchell E. Daniels, Jr.
Director

Enclosures

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE

Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
BOLTEN	☒	☐	JOHNSON	☐	☐
BRIDGELAND	☒	☐	LINDSEY	☒	☐
CALIO	☒	☐	MIERS	☐	☒
CONNAUGHTON	☒	☐	RICE	☐	☐
DANIELS	☒	☐	RIDGE	☐	☐
FLEISCHER	☒	☐	ROVE	☒	☐
GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
HAGIN	☐	☐	OTHER	☐	☒

REMARKS:

Please forward comments directly to Jim Jukes, x53458, fax 56148, no later than Thursday, February 7, 2002 by 10:00 a.m., with a cc to the Staff Secretary. Thank you.

RESPONSE:

Harriet E. Miers
 Assistant to the President
 and Staff Secretary
 Ext. 62702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

505467
02 FEB 06 AM 10:21

THE DIRECTOR

February 6, 2002

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Approval

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No objection (Informally)

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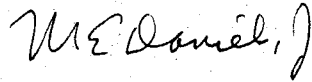
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Mitchell E. Daniels, Jr.
Director

Enclosures

Bills Received at the White House

Date received and
notification to OMB: 1/30/2002

Last day for action: 2/11/2002

S.1762

Official Title	
An Act to amend the Higher Education Act of 1965 to establish fixed interest rates for student and parent borrowers, to extend current law with respect to special allowances for lenders, and for other purposes.	505467

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE
 Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT <i>n/c</i>	☒	☐	HAWKINS	☒	☐
CARD <i>ok</i>	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
BOLTEN	☒	☐	JOHNSON	☐	☐
BRIDGELAND	☒	☐	LINDSEY <i>ok</i>	☒	☐
CALIO <i>OK</i>	☒	☐	MIERS	☐	☒
CONNAUGHTON <i>n/c</i>	☒	☐	RICE	☐	☐
DANIELS	☒	☐	RIDGE	☐	☐
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RESPONSE:

Harriet E. Miers
 Assistant to the President
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 Ext. 62702



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WASHINGTON, D.C. 20503

THE DIRECTOR

February 6, 2002

02 FEB 6 AM 10:21

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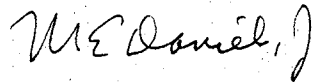
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BOLTEN	☒	☐	JOHNSON	☐	☐
BRIDGELAND	☒	☐	LINDSEY	☒	☐
CALIO	☒	☐	MIERS	☐	☒
CONNAUGHTON	☒	☐	RICE	☐	☐
DANIELS	☒	☐	RIDGE	☐	☐
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February 11, 2002 - Monday

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(1) Extends current student loan program borrower interest rate formulas through June 30, 2006, and establishes fixed borrower interest rates on loans made thereafter; and
(2) permanently extends the availability to lenders of special allowance payments on these loans based on separate lender interest rate formulas.

Agency Recommendations

Office of Management and Budget

Approval

Department of Education

Approval

Department of Justice

No objection (Informally)

Department of the Treasury

No objection (Informally)

Discussion

The Federal Government operates two major higher education loan programs for students and their parents: (1) the Federal Family Education Loan (FFEL) program, under which private lenders make student loans (guaranteed student loans); and (2) the Federal Direct Student Loan (FDSL) program, under which the Government provides loan funds directly to students, through their schools. Under the FFEL program, private lenders provide loan capital and the Federal Government pays interest subsidies to lenders for certain borrowers and guarantees loan repayment. Types of loans available include: (1) subsidized and unsubsidized Stafford loans to students; (2) PLUS loans for parents; and (3) consolidated loans that allow borrowers to combine existing student loans.

Separate interest rate structures for students and lenders are determined through statutory formulas, which Congress modifies periodically, usually by amending the Higher Education Act of 1965 (HEA). Generally, students and parent borrowers pay below market interest rates, and the Government provides certain payments to lenders depending upon the type of loan and status of the student borrower. In the FFEL program, for example, lenders may receive a "special allowance" from the Government (equal to 50 basis points) to provide a guaranteed rate of return on their loans, thus ensuring lender participation in the program.

The most recent reauthorization of the HEA in 1998 (P.L. 105-244) and the Ticket to Work and Work Incentives Improvement Act (P.L. 106-170) enacted various provisions that constituted a temporary rate structure that requires annual recalculation of student loan interest rates. In addition, the HEA specified that on July 1, 2003, the formula for calculating interest rates for new borrowers and lenders will change. The index scheduled to take effect is to be based on Treasury "securities of comparable maturity plus one percent." Additionally, lenders would no longer receive quarterly special allowance payments.

The Department of Education and others believe that lenders in the FFEL program may not be able to finance student loans under the change scheduled to take effect in 2003, because making loans would not be profitable.

Provisions of S. 1762

S. 1762 would extend to June 30, 2006, the interest rate formula for borrowers now in effect in both the FFEL and Direct Loans programs that otherwise would expire on July 1, 2003. It would amend the HEA to specify borrower interest rates for new FFEL and Direct loans made on or after July 1, 2006, as follows: (1) 6.8 percent interest rate for student loans; (2) 7.9 percent interest rate for PLUS loans; and (3) the lesser of the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent, or 8.25 percent, for consolidation loans.

The enrolled bill also would permanently extend the existing formulas that govern the interest rates that lenders earn in the FFEL program.

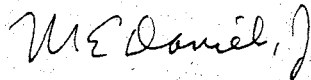
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S. 1762 would affect direct spending; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. The Congressional Budget Office (CBO) estimates that S. 1762 would decrease direct spending by \$180 million in FY 2002, and increase direct spending by \$345 million in FY 2003 and a total of \$8.2 billion between FYs 2002 and 2011. The FY 2002 net savings reflect increased income to the Federal Government from higher interest rates on loans expected to be consolidated after July 2003. (Budget scoring rules require the present value of the savings to be recorded in the year the changes become law.) The net increase in direct spending over the ten year period is associated primarily with special allowance payments that the Federal Government will provide to lenders in the FFEL program. OMB agrees with CBO's estimates.

Conclusion and Recommendations

The Department of Education recommends approval of S. 1762. Education notes that extending provisions for lenders to continue receiving special allowance payments is needed because "the impending expiration hinders lenders' ability to raise capital for new student loans, jeopardizing future student loan availability." According to Education, the enrolled bill would "head off a potential crisis in the FFEL program," and it would provide student loan borrowers with low fixed rates in the future.

We join ED in recommending approval of S. 1762, which passed the Senate by unanimous consent and the House by a vote of 372-3.



Mitchell E. Daniels, Jr.
Director

Enclosures

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE

Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
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DANIELS	☒	☐	RIDGE	☐	☐
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GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
HAGIN	☐	☐	OTHER	☐	☐

REMARKS:

Please forward comments directly to Jim Jukes, x53458, fax 56148, no later than Thursday, February 7, 2002 by 10:00 a.m., with a cc to the Staff Secretary. Thank you.

RESPONSE:

Harriet E. Miers
 Assistant to the President
 and Staff Secretary
 Ext. 62702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 6, 2002

02 FEB 6 AM 10:21

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 - Student Loan Interest Rate Amendments
Sponsors - Sen. Johnson (D) SD and Sen. Collins (R) ME

Last Day for Action

February 11, 2002 - Monday

Purpose

(1) Extends current student loan program borrower interest rate formulas through June 30, 2006, and establishes fixed borrower interest rates on loans made thereafter; and
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Agency Recommendations

Office of Management and Budget

Approval

Department of Education

Approval

Department of Justice

No objection (Informally)

Department of the Treasury

No objection (Informally)

Discussion

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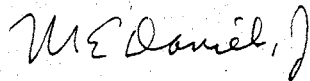
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Director

Enclosures

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Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE
 Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
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 Ext. 62702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 6, 2002

02 FEB 06 AM 10:21

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 - Student Loan Interest Rate Amendments
Sponsors - Sen. Johnson (D) SD and Sen. Collins (R) ME

Last Day for Action

February 11, 2002 - Monday

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Approval

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No objection (Informally)

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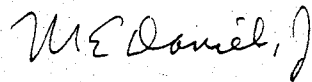
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Director

Enclosures

 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO	1935	
CONNECTION TEL		51005
CONNECTION ID		
ST. TIME	02/06 15:12	
USAGE T	01'40	
PGS. SENT	4	
RESULT	OK	

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE
 Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
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ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE

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 Ext. 62702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 6, 2002

02 FEB 06 AM 10:21

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 - Student Loan Interest Rate Amendments
Sponsors - Sen. Johnson (D) SD and Sen. Collins (R) ME

Last Day for Action

February 11, 2002 - Monday

Purpose

(1) Extends current student loan program borrower interest rate formulas through June 30, 2006, and establishes fixed borrower interest rates on loans made thereafter; and
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Agency Recommendations

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Approval

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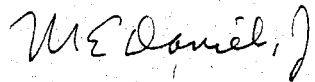
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Enclosures

 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO	1933	
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CONNECTION ID	CEQ	
ST. TIME	02/06 14:57	
USAGE T	01'41	
PGS. SENT	4	
RESULT	OK	

SSI/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE

Subject: AMENDMENTS

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Approval

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No objection (Informally)

Department of the Treasury

No objection (Informally)

Discussion

The Federal Government operates two major higher education loan programs for students and their parents: (1) the Federal Family Education Loan (FFEL) program, under which private lenders make student loans (guaranteed student loans); and (2) the Federal Direct Student Loan (FDSL) program, under which the Government provides loan funds directly to students, through their schools. Under the FFEL program, private lenders provide loan capital and the Federal Government pays interest subsidies to lenders for certain borrowers and guarantees loan repayment. Types of loans available include: (1) subsidized and unsubsidized Stafford loans to students; (2) PLUS loans for parents; and (3) consolidated loans that allow borrowers to combine existing student loans.

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The most recent reauthorization of the HEA in 1998 (P.L. 105-244) and the Ticket to Work and Work Incentives Improvement Act (P.L. 106-170) enacted various provisions that constituted a temporary rate structure that requires annual recalculation of student loan interest rates. In addition, the HEA specified that on July 1, 2003, the formula for calculating interest rates for new borrowers and lenders will change. The index scheduled to take effect is to be based on Treasury "securities of comparable maturity plus one percent." Additionally, lenders would no longer receive quarterly special allowance payments.

The Department of Education and others believe that lenders in the FFEL program may not be able to finance student loans under the change scheduled to take effect in 2003, because making loans would not be profitable.

Provisions of S. 1762

S. 1762 would extend to June 30, 2006, the interest rate formula for borrowers now in effect in both the FFEL and Direct Loans programs that otherwise would expire on July 1, 2003. It would amend the HEA to specify borrower interest rates for new FFEL and Direct loans made on or after July 1, 2006, as follows: (1) 6.8 percent interest rate for student loans; (2) 7.9 percent interest rate for PLUS loans; and (3) the lesser of the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent, or 8.25 percent, for consolidation loans.

The enrolled bill also would permanently extend the existing formulas that govern the interest rates that lenders earn in the FFEL program.

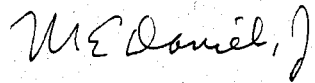
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Conclusion and Recommendations

The Department of Education recommends approval of S. 1762. Education notes that extending provisions for lenders to continue receiving special allowance payments is needed because "the impending expiration hinders lenders' ability to raise capital for new student loans, jeopardizing future student loan availability." According to Education, the enrolled bill would "head off a potential crisis in the FFEL program," and it would provide student loan borrowers with low fixed rates in the future.

We join ED in recommending approval of S. 1762, which passed the Senate by unanimous consent and the House by a vote of 372-3.



Mitchell E. Daniels, Jr.
Director

Enclosures

 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO 1934
 CONNECTION TEL 56958
 CONNECTION ID
 ST. TIME 02/06 14:59
 USAGE T 01'43
 PGS. SENT 4
 RESULT OK

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE

Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
BOLTEN	☒	☐	JOHNSON	☐	☐
BRIDGELAND	☒	☐	LINDSEY	☒	☐
CALIO	☒	☐	MIERS	☐	☒
CONNAUGHTON	☒	☐	RICE	☐	☐
DANIELS	☒	☐	RIDGE	☐	☐
FLEISCHER	☒	☐	ROVE	☒	☐
GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
HAGIN	☐	☐	OTHER	☐	☐

REMARKS:

Please forward comments directly to Jim Jukes, x53458, fax 56148, no later than Thursday, February 7, 2002 by 10:00 a.m., with a cc to the Staff Secretary. Thank you.

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

Subject: ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE
AMENDMENTS

	ACTION	FYI		ACTION	FYI
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BRIDGELAND	☒	☐	LINDSEY	☒	☐
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FLEISCHER	☒	☐	ROVE	☒	☐
GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
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REMARKS:

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RESPONSE:

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 6, 2002

THE DIRECTOR

02 FEB 06 AM 10:21

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 - Student Loan Interest Rate Amendments
Sponsors - Sen. Johnson (D) SD and Sen. Collins (R) ME

Last Day for Action

February 11, 2002 - Monday

Purpose

(1) Extends current student loan program borrower interest rate formulas through June 30, 2006, and establishes fixed borrower interest rates on loans made thereafter; and
(2) permanently extends the availability to lenders of special allowance payments on these loans based on separate lender interest rate formulas.

Agency Recommendations

Office of Management and Budget

Approval

Department of Education

Approval

Department of Justice

No objection (Informally)

Department of the Treasury

No objection (Informally)

Discussion

The Federal Government operates two major higher education loan programs for students and their parents: (1) the Federal Family Education Loan (FFEL) program, under which private lenders make student loans (guaranteed student loans); and (2) the Federal Direct Student Loan (FDSL) program, under which the Government provides loan funds directly to students, through their schools. Under the FFEL program, private lenders provide loan capital and the Federal Government pays interest subsidies to lenders for certain borrowers and guarantees loan repayment. Types of loans available include: (1) subsidized and unsubsidized Stafford loans to students; (2) PLUS loans for parents; and (3) consolidated loans that allow borrowers to combine existing student loans.

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The most recent reauthorization of the HEA in 1998 (P.L. 105-244) and the Ticket to Work and Work Incentives Improvement Act (P.L. 106-170) enacted various provisions that constituted a temporary rate structure that requires annual recalculation of student loan interest rates. In addition, the HEA specified that on July 1, 2003, the formula for calculating interest rates for new borrowers and lenders will change. The index scheduled to take effect is to be based on Treasury "securities of comparable maturity plus one percent." Additionally, lenders would no longer receive quarterly special allowance payments.

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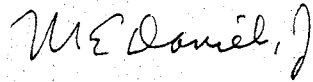
Pay-As-You-Go Scoring

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Conclusion and Recommendations

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Mitchell E. Daniels, Jr.
Director

Enclosures

 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO 1932
 CONNECTION TEL 66212
 CONNECTION ID
 ST. TIME 02/06 14:48
 USAGE T 01'44
 PGS. SENT 4
 RESULT OK

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE
 Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
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CALIO	☒	☐	MIERS	☐	☒
CONNAUGHTON	☒	☐	RICE	☐	☐
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FLEISCHER	☒	☐	ROVE	☒	☐
GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
HAGIN	☐	☐	OTHER	☐	☐

REMARKS:

Please forward comments directly to Jim Jukes, x53458, fax 56148, no later than Thursday, February 7, 2002 by 10:00 a.m., with a cc to the Staff Secretary. Thank you.

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

Subject: ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE
AMENDMENTS

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RESPONSE:

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 6, 2002

02 FEB 06 AM 10:21

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 - Student Loan Interest Rate Amendments
Sponsors - Sen. Johnson (D) SD and Sen. Collins (R) ME

Last Day for Action

February 11, 2002 - Monday

Purpose

(1) Extends current student loan program borrower interest rate formulas through June 30, 2006, and establishes fixed borrower interest rates on loans made thereafter; and
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Agency Recommendations

Office of Management and Budget

Approval

Department of Education

Approval

Department of Justice

No objection (Informally)

Department of the Treasury

No objection (Informally)

Discussion

The Federal Government operates two major higher education loan programs for students and their parents: (1) the Federal Family Education Loan (FFEL) program, under which private lenders make student loans (guaranteed student loans); and (2) the Federal Direct Student Loan (FDSL) program, under which the Government provides loan funds directly to students, through their schools. Under the FFEL program, private lenders provide loan capital and the Federal Government pays interest subsidies to lenders for certain borrowers and guarantees loan repayment. Types of loans available include: (1) subsidized and unsubsidized Stafford loans to students; (2) PLUS loans for parents; and (3) consolidated loans that allow borrowers to combine existing student loans.

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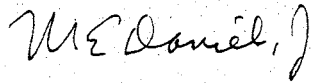
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Mitchell E. Daniels, Jr.
Director

Enclosures

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 amSubject: ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE
AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
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GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
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REMARKS:

Please forward comments directly to Jim Jukes, x53458, fax 56148, no later than Thursday, February 7, 2002 by 10:00 a.m., with a cc to the Staff Secretary. Thank you.

RESPONSE:

Handwritten signature/initials

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 6, 2002

THE DIRECTOR

02 FEB 6 AM 10:21

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 - Student Loan Interest Rate Amendments
Sponsors - Sen. Johnson (D) SD and Sen. Collins (R) ME

Last Day for Action

February 11, 2002 - Monday

Purpose

(1) Extends current student loan program borrower interest rate formulas through June 30, 2006, and establishes fixed borrower interest rates on loans made thereafter; and
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Agency Recommendations

Office of Management and Budget

Approval

Department of Education

Approval

Department of Justice

No objection (Informally)

Department of the Treasury

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Discussion

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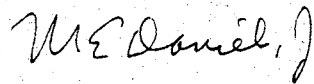
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Mitchell E. Daniels, Jr.
Director

Enclosures

02 FEB 6 PM 5:11



Susan B. Ralston
02/06/2002 04:35:38 PM

Record Type: Record

To: Harriet Miers/WHO/EOP@EOP

cc: Carolyn E. Cleveland/WHO/EOP@EOP, Karen D. Cruson/WHO/EOP@EOP

Subject: Red Dots

Karl has several red dots w/ him on the trip:

- (1) Cybersecurity - no comments
- (2) Healthcare - no comments
- (3) State of Utah - comments given to Ed Walsh
- (4) US Athletes USIOC - comments given to Ed Walsh
- (5) Student loans - no comments

Sorry I could not bring down or fax to you, but he's got them in hand in NY.

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

02 FEB 6 PM 5:20

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE

Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
BOLTEN	☒	☐	JOHNSON	☐	☐
BRIDGELAND	☒	☐	LINDSEY	☒	☐
CALIO	☒	☐	MIERS	☐	☒
CONNAUGHTON	☒	☐	RICE	☐	☐
DANIELS	☒	☐	RIDGE	☐	☐
FLEISCHER	☒	☐	ROVE	☒	☐
GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
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REMARKS:

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RESPONSE:

Legislative Affairs (Clavel) - dr

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 6, 2002

02 FEB 6 AM 10:21

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Office of Management and Budget

Approval

Department of Education

Approval

Department of Justice

No objection (Informally)

Department of the Treasury

No objection (Informally)

Discussion

The Federal Government operates two major higher education loan programs for students and their parents: (1) the Federal Family Education Loan (FFEL) program, under which private lenders make student loans (guaranteed student loans); and (2) the Federal Direct Student Loan (FDSL) program, under which the Government provides loan funds directly to students, through their schools. Under the FFEL program, private lenders provide loan capital and the Federal Government pays interest subsidies to lenders for certain borrowers and guarantees loan repayment. Types of loans available include: (1) subsidized and unsubsidized Stafford loans to students; (2) PLUS loans for parents; and (3) consolidated loans that allow borrowers to combine existing student loans.

Separate interest rate structures for students and lenders are determined through statutory formulas, which Congress modifies periodically, usually by amending the Higher Education Act of 1965 (HEA). Generally, students and parent borrowers pay below market interest rates, and the Government provides certain payments to lenders depending upon the type of loan and status of the student borrower. In the FFEL program, for example, lenders may receive a "special allowance" from the Government (equal to 50 basis points) to provide a guaranteed rate of return on their loans, thus ensuring lender participation in the program.

The most recent reauthorization of the HEA in 1998 (P.L. 105-244) and the Ticket to Work and Work Incentives Improvement Act (P.L. 106-170) enacted various provisions that constituted a temporary rate structure that requires annual recalculation of student loan interest rates. In addition, the HEA specified that on July 1, 2003, the formula for calculating interest rates for new borrowers and lenders will change. The index scheduled to take effect is to be based on Treasury "securities of comparable maturity plus one percent." Additionally, lenders would no longer receive quarterly special allowance payments.

The Department of Education and others believe that lenders in the FFEL program may not be able to finance student loans under the change scheduled to take effect in 2003, because making loans would not be profitable.

Provisions of S. 1762

S. 1762 would extend to June 30, 2006, the interest rate formula for borrowers now in effect in both the FFEL and Direct Loans programs that otherwise would expire on July 1, 2003. It would amend the HEA to specify borrower interest rates for new FFEL and Direct loans made on or after July 1, 2006, as follows: (1) 6.8 percent interest rate for student loans; (2) 7.9 percent interest rate for PLUS loans; and (3) the lesser of the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent, or 8.25 percent, for consolidation loans.

The enrolled bill also would permanently extend the existing formulas that govern the interest rates that lenders earn in the FFEL program.

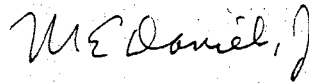
Pay-As-You-Go Scoring

S. 1762 would affect direct spending; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. The Congressional Budget Office (CBO) estimates that S. 1762 would decrease direct spending by \$180 million in FY 2002, and increase direct spending by \$345 million in FY 2003 and a total of \$8.2 billion between FYs 2002 and 2011. The FY 2002 net savings reflect increased income to the Federal Government from higher interest rates on loans expected to be consolidated after July 2003. (Budget scoring rules require the present value of the savings to be recorded in the year the changes become law.) The net increase in direct spending over the ten year period is associated primarily with special allowance payments that the Federal Government will provide to lenders in the FFEL program. OMB agrees with CBO's estimates.

Conclusion and Recommendations

The Department of Education recommends approval of S. 1762. Education notes that extending provisions for lenders to continue receiving special allowance payments is needed because "the impending expiration hinders lenders' ability to raise capital for new student loans, jeopardizing future student loan availability." According to Education, the enrolled bill would "head off a potential crisis in the FFEL program," and it would provide student loan borrowers with low fixed rates in the future.

We join ED in recommending approval of S. 1762, which passed the Senate by unanimous consent and the House by a vote of 372-3.



Mitchell E. Daniels, Jr.
Director

Enclosures

SS/RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

NOEL

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE

Subject: AMENDMENTS

02 FEB 6 PM 4:23

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
BOLTEN	☒	☐	JOHNSON	☐	☐
BRIDGELAND	☒	☐	LINDSEY	☒	☐
CALIO	☒	☐	MIERS	☐	☒
CONNAUGHTON	☒	☐	RICE	☐	☐
DANIELS	☒	☐	RIDGE	☐	☐
FLEISCHER	☒	☐	ROVE	☒	☐
GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
HAGIN	☐	☐	OTHER	☐	☐

REMARKS:

Please forward comments directly to Jim Jukes, x53458, fax 56148, no later than Thursday, February 7, 2002 by 10:00 a.m., with a cc to the Staff Secretary. Thank you.

No comments - wjf

RESPONSE:

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702

02/06/02 WED 14:57 FAX

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

02 FEB 7 AM 8:41

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

Subject: ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE
AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
BOLTEN	☒	☐	JOHNSON	☐	☐
BRIDGELAND	☒	☐	LINDSEY	☒	☐
CALIO	☒	☐	MIERS	☐	☒
CONNAUGHTON	☒	☐	RICE	☐	☐
DANIELS	☒	☐	RIDGE	☐	☐
FLEISCHER	☒	☐	ROVE	☒	☐
GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
HAGIN	☐	☐	OTHER	☐	☐

REMARKS:

Please forward comments directly to Jim Jukes, x53458, fax 56148, no later than Thursday, February 7, 2002 by 10:00 a.m., with a cc to the Staff Secretary. Thank you.

RESPONSE:

*No comments
called**PH Cooney
2/6/02*

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

02 FEB 7 AM 10:32

Date: 2-6-02 ACTION / CONCURRENCE / COMMENT DUE BY: 2-7-02 10:00 am

ENROLLED BILL MEMO - S. 1762 - STUDENT LOAN INTEREST RATE

Subject: AMENDMENTS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAWKINS	☒	☐
CARD	☒	☐	HUBBARD	☒	☐
BARTLETT	☒	☐	HUGHES	☒	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
BOLTEN	☒	☐	JOHNSON	☐	☐
BRIDGELAND	☒	☐	LINDSEY	☒	☐
CALIO	☒	☐	MIERS	☐	☒
CONNAUGHTON	☒	☐	RICE	☐	☐
DANIELS	☒	☐	RIDGE	☐	☐
FLEISCHER	☒	☐	ROVE	☒	☐
GERSON	☐	☐	SPELLINGS	☒	☐
GONZALES	☒	☐	CLERK	☐	☒
HAGIN	☐	☐	OTHER	☐	☐

REMARKS:

Please forward comments directly to Jim Jukes, x53458, fax 56148, no later than Thursday, February 7, 2002 by 10:00 a.m., with a cc to the Staff Secretary. Thank you.

OK-NEL

RESPONSE:

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702



OFFICE OF THE VICE PRESIDENT
WASHINGTON

February 7, 2002

'02 FEB 7 AM 10:32

MEMORANDUM FOR JIM JUKES

FROM: JONATHAN BURKS
DEPUTY STAFF SECRETARY TO THE VICE PRESIDENT

**SUBJECT: Enrolled Bill Memo – S 1762 – Student Loan Interest Rate
Amendments**

The Office of the Vice President has reviewed the above-referenced draft and has no comments.

cc: Harriet Miers
STAFF SECRETARY