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Series: Saunders, G. Timothy (Tim) – Bill Files

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]

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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]

This document was prepared on Friday, July 26, 2013

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 AM10:20

THE DIRECTOR

February 6, 2002

THE PRESIDENT HAS SEEN
2-8-02

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.

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.

<u>Provisions of S. 1762</u>

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.

<u>Pay-As-You-Go Scoring</u>

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 <u>decrease</u> direct spending by $180 million in FY 2002, and <u>increase</u> 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.

M E Daniels, J

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

Rod Paige

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

THE DIRECTOR

February 6, 2002

'02 FEB 6 AM10:21

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

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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M E Daniel, J

Mitchell E. Daniels, Jr.
Director

Enclosures

SS/ RM NO. 505467

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
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

505467

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

'02 FEB 6 AM10:21

THE DIRECTOR

February 6, 2002

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 – Student Loan Interest Rate Amendments
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Last Day for Action

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MEDaniel, J

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**

	Official Title	
S.1762	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

SS/ RM NO. 505467

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
VICE PRESIDENT NC	☑	☐	HAWKINS	☑	☐
CARD ok	☑	☐	HUBBARD	☑	☐
BARTLETT	☑	☐	HUGHES	☑	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
BOLTEN	☑	☐	JOHNSON	☐	☐
BRIDGELAND	☑	☐	LINDSEY ok	☑	☐
CALIO OK	☑	☐	MIERS	☐	☑
CONNAUGHTON ok	☑	☐	RICE	☐	☐
DANIELS	☑	☐	RIDGE	☐	☐
FLEISCHER	☑	☐	ROVE NC	☑	☐
GERSON	☐	☐	SPELLINGS OK	☑	☐
GONZALES NC	☑	☐	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

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February 6, 2002

'02 FEB 6 AM10:21

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SS/ RM NO. 505467

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BLAKEMAN	☐	☐	IRASTORZA	☐	☐
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DANIELS	☑	☐	RIDGE	☐	☐
FLEISCHER	☑	☐	ROVE	☑	☐
GERSON	☐	☐	SPELLINGS	☑	☐
GONZALES	☑	☐	CLERK	☐	☑
HAGIN	☐	☐	OTHER	☐	☐

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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.

<u>Provisions of S. 1762</u>

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 <u>decrease</u> direct spending by $180 million in FY 2002, and <u>increase</u> 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.

M E Daniels, J

Mitchell E. Daniels, Jr.
Director

Enclosures

SS/ RM NO. 505467

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
VICE PRESIDENT	☑	☐	HAWKINS	☑	☐
CARD	☑	☐	HUBBARD	☑	☐
BARTLETT	☑	☐	HUGHES	☑	☐
BLAKEMAN	☐	☐	IRASTORZA	☐	☐
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CONNAUGHTON	☑	☐	RICE	☐	☐
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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 (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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M E Daniel, J

Mitchell E. Daniels, Jr.
Director

Enclosures

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

Date: 2-6-02 ACTION / CONCERNRENCE / 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	☑	☐
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RESPONSE:

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

February 6, 2002

'02 FEB 6 AM10:21

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)

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M E Daniel, J

Mitchell E. Daniels, Jr.
Director

Enclosures

02/06/02 WED 15:14 FAX 001

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*** TX REPORT ***
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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

Subject: 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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HAGIN	☐	☐	OTHER	☐	☐

REMARKS:
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SS/ RM NO. 505467

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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 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 (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)

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Enclosures

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*** TX REPORT ***
****

TRANSMISSION OK

TX/RX NO	1933
CONNECTION TEL	62710
CONNECTION ID	CEQ
ST. TIME	02/06 14:57
USAGE T	01'41
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

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

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CALIO	☑	☐	MIERS	☐	☑
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DANIELS	☑	☐	RIDGE	☐	☐
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HAGIN	☐	☐	OTHER	☐	☐

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EXECUTIVE OFFICE OF THE PRESIDENT
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February 6, 2002

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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.

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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.

M E Daniel, J

Mitchell E. Daniels, Jr.
Director

Enclosures

02/06/02 WED 15:01 FAX 001

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*** 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

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.

SS/ RM NO. 505467

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CALIO	☑	☐	MIERS	☐	☑
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GERSON	☐	☐	SPELLINGS	☑	☐
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HAGIN	☐	☐	OTHER	☐	☐

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

THE DIRECTOR

February 6, 2002

'02 FEB 6 AM10:21

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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Conclusion and Recommendations

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ME Daniels, J

Mitchell E. Daniels, Jr.
Director

Enclosures

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*** 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

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	☐	☐
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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.

SS/ RM NO. 505467

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GONZALES	☑	☐	CLERK	☐	☑
HAGIN	☐	☐	OTHER	☐	☐

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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 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 (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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M E Daniels, J

Mitchell E. Daniels, Jr.
Director

Enclosures

SS/ RM NO. 505467

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

'02 FEB 6 PM2:47

	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:
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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 6 AM10:21

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
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ME Daniel, J

Mitchell E. Daniels, Jr.
Director

Enclosures

'02 FEB 6 PM5:11

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.

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

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

'02 FEB 6 PM5:20

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:
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RESPONSE:
Legislative Affairs (Howard) - [illegible]

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

'02 FEB 6 AM10:21

THE DIRECTOR

February 6, 2002

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 1762 – Student Loan Interest Rate Amendments
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Last Day for Action

February 11, 2002 - Monday

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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 loan's 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.

<u>Pay-As-You-Go Scoring</u>

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 <u>decrease</u> direct spending by $180 million in FY 2002, and <u>increase</u> 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.

M E Daniel, J

Mitchell E. Daniels, Jr.
Director

Enclosures

02/06/2002 WED 15:27 FAX 001
02/06/02 WED 14:52 FAX 202 456 6279 001

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

NOEL

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

'02 FEB 6 PM4:29

	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 - NJF

RESPONSE:

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

02/07/2002 08:29 FAX 202 456 2710 CEQ 002
02/06/02 WED 14:57 FAX 001

SS/ RM NO. 505467

WHITE HOUSE STAFFING MEMORANDUM

'02 FEB 7 AM8:41

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.

No Comments called

RESPONSE:

PA 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 AM10:32

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.

OK-NEC

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