To: Bill Galston
From: Patrick Lester
Date: 7/26/93
Re: **Student Loan Simplification: Final Report**

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The attached report, not surprisingly, practically endorses the Administration's direct lending proposal. It argues that needless complexity and duplication, along with a plethora of nonstandard legislative and regulatory requirements, make the current program structure almost unworkable.

Beyond making recommendations that are, as acknowledged, mostly encapsulated in the existing House and Senate direct lending proposals, the report goes on to argue for universal access to loan capital, full integration into the existing Title IV delivery system, reducing the number of loan programs from which a student must borrow to one, avoiding dependence on the FFELP for anything other than capturing default data, and eliminating intermediaries between the Department and participating institutions.

Advisory Committee on Student Financial Assistance

July 23, 1993

The Honorable William Galston
Deputy Assistant to the President
for Domestic Policy
The White House
Washington, D.C. 20500

Dear Mr. Galston:

The Advisory Committee on Student Financial Assistance has conducted a loan simplification study required by P.L. 102-325. Analysis of the current loan program has provided the Advisory Committee with compelling evidence that the current program structure and operations are needlessly complex and require major reform. The enclosed document represents the Advisory Committee's final report on study activities, findings, and recommendations. In addition, the report discusses a number of implementation imperatives of critical importance to the Student Loan Reform Act of 1993.

Analysis of the current loan program structure and operations, and written and oral testimony, demonstrated that complexity in FFELP results from multiple, overlapping loan programs with conflicting terms and conditions. Nonstandard policies, procedures, forms, and processes also plague the program, in addition to burdensome legislative and regulatory requirements. The thousands of parties in the process who are not linked by an adequate data or network infrastructure contribute to the complexity. The results are unacceptable confusion and inefficiency for students and institutions.

The Advisory Committee, in its April 1993 *Interim Report*, recommended a radical restructuring of FFELP through consolidation of participants, creation of a single loan program with standard terms and conditions, refinancing provisions, and integration of the loan process into the existing Title IV delivery system. Likewise, to create an efficient, effective direct lending program, the new single loan program must be implemented with standard terms and conditions and must be fully integrated into the Title IV delivery system. This program must require minimal interface with the prior FFELP beyond capture of default information and must remain a centralized, federal program with a minimal number of participants outside the educational institutions.

The Advisory Committee has identified some additional implementation imperatives that have arisen from the budget reconciliation process and the resulting challenges over the next five years. As part of its original and ongoing charge, the Advisory Committee maintains a focus on the maintenance of access to higher education for all students. It is critical that as a means of access to higher education *access to loan capital be maintained for all populations*. In addition, the Advisory Committee strongly believes that *the student loan program must be fully integrated into the existing Title IV delivery system if the burden on students and institutions is to be minimized.* In addition, as a reformed program unfolds, care must be taken not to recreate an extremely complex system. Finally, *steps still need to be taken to simplify and streamline the part B program, as well as to ensure that the new direct lending program is kept as least complex and burdensome as possible.*

Our Committee and staff look forward to providing continual technical assistance in the future. Should you need extra copies of our report or have any questions regarding our recommendations, please direct them to Brian Fitzgerald, our Staff Director.

Sincerely,

Lynn M. Fawthrop

Lynn M. Fawthrop
Chairperson

Enclosure

Student Loan Program Simplification: Final Report

A Report of the
Advisory Committee on
Student Financial Assistance

July 1993