FOIA Number: 2017-1069-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: National Economic Council

Series/Staff Member: Bob Shireman

Subseries:

OA/ID Number: 13218

FolderID:

Folder Title:
Student Loan Reauthorization Options: Loan Appeal

Stack:	Row:	Section:	Shelf:	Position:
S	15	1	11	1

Liau Appeal

d. race exp. wk4

Sto: [illegible]

Clarification and Appeal of the Department of Education
1998 Budget Passback on Student Loan Programs

The following are areas in which the Department wishes to clarify or appeal the OMB budget passback on student loans.

Borrower fees

The Department agrees that eliminating the one percent insurance premium in the FFEL program and reducing the origination fee by one percent in the Direct Loan program, as included in the Department's proposal and the OMB passback, improves benefits to borrowers significantly. However, the Department believes that fees should be reduced even further for subsidized borrowers who have demonstrated financial need and are taking on increasingly large debt burdens. Accordingly, the Department is appealing OMB's decision not to eliminate the remaining three percent origination fee for subsidized loan borrowers. This proposal would cost \$2.5 billion over five years. Eliminating this fee would not only provide a major benefit to students and reduce the need for some student borrowing at a time when there is increasing concern about the level of student debt, but would also help deflect criticism that the President's tax proposals help only the middle class and that the Administration is doing nothing to help lower income students. Eliminating the fee would also simplify the administration of the subsidized loan program.

Lender subsidies

The Department agrees with all of the proposals in the OMB passback relating to lender subsidies, except the proposal to convert all outstanding fixed rate loans to variable rate loans. If this conversion takes place, the Department is likely to be sued by borrowers who have promissory notes requiring fixed rates, unless the variable rate is capped at the current fixed rate. Whether or not there is a cap, lenders are likely to sue the Department if the amount of their special allowance entitlement is reduced as a result of the interest rate change. Some significant administrative problems could also result from a change of interest rates on outstanding loans -- for example, changes would need to be made to the debt collection and data collection systems, and FFEL lenders would be required to make changes in their systems relating to all of their consolidation loans. The Department does not believe that the small reduction in costs associated with the variable interest rate to be gained from this proposal is worth the work and the risks of being sued, especially given that all new loans will have variable rates (including consolidation loans under our proposal) and the Department will soon reach a point where all loans have variable rates. For new loans, the Department agrees that the special allowance should be adjusted annually, instead of quarterly, using the formula for the borrower's interest rate that goes into effect on July 1, 1998.

Guaranty agencies

The Department agrees that intermediaries are not necessary to guaranty FFEL loans. In fact, the Department is already the true guarantor rather than the guaranty agencies. The Department also agrees in principle that the remaining functions of guaranty agencies, including default prevention of delinquent loans, counseling borrowers, providing training and technical assistance to schools and lenders, paying lender's claims, data collection and reporting, monitoring of schools and lenders, and default collection, should ultimately be performed by the Department itself or through contractors. For administrative, policy, and political reasons, however, we believe that the restructuring of guarantee agencies should be achieved through a more evolutionary and staged process than that included in the passback. This strategy would be less likely to jeopardize the availability of capital for all students.

On a political level, the Department believes that its phased-in proposal has a more reasonable chance of passage than the proposal included in the OMB passback. In addition to schools, many of which would probably support both the full passback package and the Department's proposal because they fund increased benefits for students, the Department believes that some lenders and major guaranty agencies may support the Department's proposal. On the other hand, the current 36 guaranty agencies have some 5,000 employees paid out of their reserve funds. Twenty-five of the agencies are State governmental entities, and many of them perform other educational functions, such as State grant programs, with personnel and facilities shared with their guaranty functions. A proposal to turn immediately a program that has been viewed as a Federal/State partnership into a purely Federal program would likely generate enormous political opposition even from the Department's traditional friends, which might not only defeat the proposal itself but lap over onto the Department's entire legislative program.

On a policy level, the Department's proposal is to recognize immediately that the guaranty agency's function with respect to loan guarantees is purely administrative and that the Department is, in fact, the substantive guarantor. Accordingly, all reserve funds not necessary for working capital purposes would be recalled immediately. We estimate that this would be in excess of $1.5 billion of the $2.1 billion in reserve projected for the end of this fiscal year. All default collection would be moved to the Department and its contractors as rapidly as adequate capacity could be developed. In the meantime, guaranty agencies would be paid on a fee for service basis and would not be allowed to retain any portion of the amounts collected. Thus, the major portion of budgetary savings in eliminating guaranty agencies would be realized instantaneously. ?

The remaining guaranty-agency functions (counseling borrowers, providing training and technical assistance to schools and lenders, paying lender claims, collecting and reporting data, and monitoring schools and lenders) would still have to be performed primarily by outside parties. The Department believes it is premature, however, to judge at this time whether these services can best be provided via the national performance-based contracting approach used for Direct Loans, via the regionally-based contract approach currently used with guaranty agencies, or via some features of each. Currently, only a small portion of Direct Loans has entered repayment status. As this portfolio matures, we will be better able to compare the performance of a strict contracting approach with the regulatory fee-for-services approach proposed in the Department's restructuring package. Based on that experience and with the further consolidation of guaranty agencies that is likely to occur if this proposal is enacted, it would certainly be appropriate to

Does this have drawing outside of ED?

consider a next step a few years hence.

Flexible repayment

The Department agrees with OMB that it is difficult to involve lenders in income-contingent repayment, because of concerns relating to the verification of income and the privacy of income information. The Department would like to administer the Direct Loan program and the FFEL program in the same way, but this could not be done with verification of income for income contingent repayment if the Department relies on the IRS for income reporting as is the case with Direct Loans. However, the Department would like to provide more flexibility to FFEL borrowers and move towards equalization of repayment options in the FFEL and Direct Loan programs. To this end, the Department proposes to require FFEL lenders to provide all of the Direct Loan repayment plans, except the income contingent repayment plan, to their borrowers. Accordingly, FFEL lenders would provide the standard, extended, graduated, and alternative repayment plans. In addition, they would continue to offer their current ten-year income sensitive repayment plans. Borrowers who are not able to obtain acceptable income sensitive repayment plans in FFEL would continue to be able to consolidate into Direct Loans. To help ensure that the Direct Loan program does not bear a disproportionate share of default and loan servicing costs, the Department further proposes that borrowers be prohibited from consolidating defaulted or delinquent loans into the Direct Loan program unless they make a certain number of new consecutive payments.

Information technology and performance indicators

The Department is addressing issues relating to information technology and performance indicators outside of the budget process and will report to OMB on these areas shortly. Issues relating to gatekeeping, oversight, and performance-based management are being addressed through administrative means including the IPOS challenge, risk analysis, and the case management approach recently adopted by the Department. These issues are also being addressed through the Department's Higher Education Act reauthorization proposal.

Other areas

The Department will include the other proposals submitted to OMB as part of the 1998 budget. The passback didn't specifically address these issues:

- Provide similar terms and conditions for all consolidation loans (excluding repayment provisions);
- Require lenders to offer same terms (including any discounts) to all borrowers. The Department would prohibit discrimination but not require mandatory service. Nondiscrimination provisions would apply to secondary markets, but secondary markets would not be prohibited from differential pricing as long as they pay at least par for all loans.

- Increase the Department's authorities for debt collection.
- Establish a $15,000 loan limit for PLUS borrowers.
- Require the Department of Defense to pay for military deferments.
- Raise loan limits for HEAL borrowers.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

Office of the Deputy Assistant Secretary
Policy, Planning and Innovation

7th and D Streets, SW
Room 4060, ROB-3
Washington, DC 20202-5143
Phone: (202) 205-2987 Fax: (202) 401-5749

Fax Cover Sheet

Number of pages following cover sheet: 4

TO: Bob Shireman
Pat Smith

FAX: 395-4875

FROM:

Maureen A. McLaughlin ✓

Lynn Mahaffie ____

Tia Cosey ____

Francine Picoult ____

Sandy Wood ____

Janet Sharps ____

MESSAGE:

Attached is a draft of our passback on loans; Mike asked me to send it to you. Budget Service is completing the table

Recommended policy changes (detail)

Costs (student fee reduction)	95	171	187	198	209	860
Savings components						
Lenders	(624)	(505)	(502)	(542)	(578)	(2,751)
ED admin	(155)	(122)	(80)	(67)	(61)	(485)
GAs						
Other GA savings	(269)	42	43	47	50	(87)
Reserves option 1	(500)	(500)	(500)	(500)	(440)	(2,440)
Total savings	(1,453)	(914)	(852)	(864)	(820)	(4,903)
Reserves option 2	(2,000)	0	0	0	0	(2,000)
Total savings	(2,953)	(414)	(352)	(364)	(380)	(4,463)
Reserves option 3	(400)	(400)	(400)	(400)	(850)	(2,450)
Total savings	(1,353)	(814)	(752)	(764)	(1,230)	(4,913)

1441

outlays: 1379 851 804 827 1299 5,160

stdt fee red'n all

def. fee

policy baseline

333 331 318 341 805 2128

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

WHITE - ROOM 8201

December 13, 1996

TO: DADs

FROM: Phil Dame

SUBJECT: Other mandatory outlay proposals

The Director is scheduled to meet with the President early next week to discuss the FY 1998 Budget. Other mandatory outlays will be discussed at the meetings. Thus, please carefully review the attached table for accuracy. At this point, we are aware of three changes on the table. Since the following proposals do not require legislation, we plan to drop them from the attached table and reflect them in the baseline.

- Sale of USEC,
- Sell 36 tons of HEU from retired US nuclear weapons, and
- Sell excess DOE-owned uranium.

If you have any comments, please inform Anita Chellaraj by the **c.o.b., today, Friday, December 13, 1996.**

cc: BRD SES

12/13/96
12:20 PM
G:\LOTUS\DECMAND

FY 1998 OTHER MANDATORY OUTLAY PROPOSALS
(OMB estimates, in millions of dollars)

Mandatory Proposals		1997	1998	1999	2000	2001	2002	98-02
Agriculture:								
Reduce 1996 Farm Bill crop subsidy ("AMTA") payments when producers exit the program	ON	---	-100	-150	-200	-205	-210	-865
Impose agriculture marketing order fees	RU	---	-10	-11	-11	-11	-11	-54
Subtotal, agriculture		---	-110	-161	-211	-216	-221	-919
Commerce:								
Extend surcharge on patent fees	RU	---	---	-119	-119	-119	-119	-476
Defense:								
Sell from National Defense Stockpile	RU	---	---	---	---	---	-200	-200
Education:								
Student loans:								
Reduce payments to lenders, guaranty agencies, secondary markets and postsecondary institutions, and reduce Federal administrative funding	RU	---	-1,046	-519	-486	-486	-495	-3,032
Concentrate recovery of reserves in 1998 1/	ON	---	-1,913	257	285	272	264	-835
Improve ~~Establish~~ third grade literacy	I	---	33	212	260	274	358	1,137
~~Increase~~ school construction investment	I	---	856	966	1,141	1,250	394	4,607
Repeal the mandatory appropriation under the Smith-Hughes Act of 1918	RU	---	-1	-6	-7	-7	-7	-28
Subtotal, Education		---	-2,071	910	1,193	1,303	514	1,849
Energy/USEC: 2/								
Lease excess Strategic petroleum reserve	RU	---	---	-14	-37	-67	-83	-201
Sell Weeks Island Strategic petroleum reserve	RU	---	---	---	---	---	-936	-936
Sell 36 tons of HEU from retired US nuclear weapons	ON	---	---	---	---	---	-750	-750
Sell excess DOE-owned uranium	ON	---	-100	-100	-100	-100	---	-400
Delay sale of USEC, sell USEC in 1998	ON	1,450	-1,700	---	---	---	---	-1,700
Sale or lease of naval petroleum and oil shale reserves	ON	---	---	-10	---	---	---	-10
Subtotal, Energy		1,450	-1,800	-124	-137	-167	-1,769	-3,997
HHS:								
Provide a bonus to the States for encouraging individuals to adopt from the foster care system	ON	---	---	3	5	5	5	18

[illegible]

FY 1998 OTHER MANDATORY OUTLAY PROPOSALS
(OMB estimates, in millions of dollars)

12/13/96
12:20 PM
G:\LOTUS\DECMAND

Mandatory Proposals		1997	1998	1999	2000	2001	2002	98-02
Establish health insurance for the temporarily unemployed.........	RU	---	1,651	2,346	2,550	2,771	---	9,318
Establish health insurance reform: grants for health insurance cooperatives..............	RU	---	25	25	25	25	25	125
Subtotal, HHS..............		---	1,676	2,374	2,580	2,801	30	9,461
HUD:								
Deregulate Ginnie Mae servicing fee..............	ON	---	-30	-50	-60	-50	-40	-230
Replace FHA single family loan limits with Freddie Mac limit.......	I	---	-200	---	---	---	---	-200
Reform FHA Single-Family assignment (non-paygo)..................	RU	---	-127	-138	-157	-161	-161	-744
Undertake FHA portfolio reengineering :								
Paygo..............	RU	-320	---	---	---	---	---	---
Non-paygo..............	RU	23	-647	221	271	238	207	290
Subtotal, HUD..............		-297	-1,004	33	54	27	6	-884
Interior:								
Extend and index hardrock mining holding fees on public lands..............	RU	---	-1	-33	-35	-36	-37	-142
Establish hardrock mining royalties on public domain lands (5% on gross proceeds)..............	ON	---	-33	-33	-33	-33	-33	-165
Impose Hetch Hetchy Dam (CA) rental payments.......................	RU	---	-1	-1	-1	-1	-1	-5
Extend National Park Service fee demonstration authority through FY 2002; make all receipts available to Interior 3/....................	RM	---	---	---	---	---	---	---
Subtotal, Interior..............		---	-35	-67	-69	-70	-71	-312
Justice:								
Increase Hart-Scott Rodino merger filing fees............................	I	---	-70	-70	-70	-70	-70	-350
Labor:								
Charge employers a user fee Alien Labor certification................	ON	---	---	-39	-62	-62	-62	-225
Pension reforms: increase guaranty level for multi-employer plans..............	RU	---	---	2	7	12	13	34
Create jobs opportunities for long-term welfare recipients...........	I	---	675	900	1,000	400	25	3,000
Subtotal, Labor..............		---	675	863	945	350	-24	2,809
Transportation:								
Extend vessel tonnage fees..............	RU	---	---	-62	-62	-62	-62	-248

12/13/96
12:20 PM
G:\LOTUS\DECMAND

FY 1998 OTHER MANDATORY OUTLAY PROPOSALS
(OMB estimates, in millions of dollars)

Mandatory Proposals		1997	1998	1999	2000	2001	2002	98-02
Sell Governor's Island	RU	---	---	---	---	---	-500	-500
Sell Union Station air rights	RU	---	---	---	---	---	-40	-40
Subtotal, Transportation		---	---	-62	-62	-62	-602	-1,053
Treasury:								
Charge vendors for the cost of making payments by paper check	I	-8	-30	---	---	---	---	-30
Allow user of credit cards to pay tax debt (gov. receipt)	ON	---	---	---	---	---	---	---
Debt management savings (Non-paygo)	RU	---	-244	-851	-1,523	-2,224	-2,130	-6,972
Reimburse the Federal Reserve bank (offset included under revenues)	RU	---	122	125	129	132	136	644
New funding for medical, cash, and job training assistance for Puerto Rico (in lieu of Sec. 936)	RU	---	56	175	308	455	616	1,610
Subtotal, Treasury		-8	-96	-551	-1,086	-1,637	-1,378	-4,748
Veterans:								
Paygo proposals:								
Restore the MGIB benefit contribution ratio to 9:1	ON	-27	-115	-127	-143	-160	-178	-723
Move Medical Care existing collections to discretionary	ON	---	440	211	230	248	273	1,402
Compensation and Pensions:								
Extend rounding down for compensation cost-of-living adjustment (COLA)	RU	---	-20	-43	-62	-82	-97	-304
Extend income verification of pension beneficiaries	RU	---	---	-9	-23	-36	-51	-119
Limit pension benefits to Medicaid-eligible beneficiaries in nursing homes 4/	RU	---	---	-516	-528	-543	-559	-2,146
Housing:								
Enable VA to use Federal salary and tax refund offset to collect on deficiency balances for defaulted loans guaranteed prior to 1990	RU	---	-90	---	---	---	---	-90
Extend three provisions that maintain higher loan fees and reduce resale losses on foreclosed properties	RU	---	---	-189	-183	-187	-189	-748
Increase fees for non-veterans in the home loan program to match veterans	ON	-5	-20	-21	-22	-22	-22	-107
Permanently extend loan asset sale enhancement authority	ON	---	-5	-5	-5	-5	-5	-25
Subtotal, Veterans' outlays		-32	190	-699	-736	-787	-828	-2,860

12/13/96
12:20 PM
G:\LOTUS\DECMAND

FY 1998 OTHER MANDATORY OUTLAY PROPOSALS
(OMB estimates, in millions of dollars)

Mandatory Proposals		1997	1998	1999	2000	2001	2002	98-02
Receipts:								
Integration of VA and DoD entitlements 5/	ON	-101	-416	-427	-439	-452	-464	-2,198
District of Columbia:								
Federal assumption of DC pension system	ON	---	337	354	372	390	410	1,863
Acquisition of assets	ON	---	[-3800]	---	---	---	---	[-3800]
EPA:								
Superfund orphan share spending proposal	ON	---	142	162	184	192	200	880
Federal Communications Commission:								
Broaden and extend non broadcast auctions	RU	---	-1,400	-1,800	-3,800	-4,500	-5,600	-17,100
Analog broadcast auctions 6/	RU	---	---	---	---	---	---	---
Auction "888" phone numbers	RU	---	-200	-400	-100	---	---	-700
Auction a portion of the broad cast channels 60-69	I	---	---	---	---	-1,800	-1,700	-3,500
Subtotal, FCC		---	-1,600	-2,200	-3,900	-6,300	-7,300	-21,300
FEMA:								
Disaster relief user fee (gov. rec.)7/	ON	---	-456	-512	-543	-575	-611	-2,697
OPM:								
Extend civilian retirement COLA delay	RM	---	-278	-297	-305	-313	-322	-1,515
Increase agency contributions to CSRS (non-paygo)	RM	---	-580	-580	-580	-590	-590	-2,920
Subtotal, OPM		---	-858	-877	-885	-903	-912	-4,435
Postal Service:								
Repeal Workers' Compensation Reimbursement to the United States Postal Service:								
Paygo	RU	-37	-36	-34	-32	-31	-29	-162
Non-paygo	RU	37	36	9	---	---	---	45
Subtotal, Postal Service		---	---	-25	-32	-31	-29	-117
Railroad Retirement Board:								
Conform railroad retirement benefits with social security	RU	---	30	46	47	47	47	217

FY 1998 OTHER MANDATORY OUTLAY PROPOSALS
(OMB estimates, in millions of dollars)

12/13/96
12:20 PM
G:\LOTUS\DECMAND

Mandatory Proposals		1997	1998	1999	2000	2001	2002	98-02
SBA:								
SBA loan asset sales	ON	---	-100	---	---	---	---	-100
Social Security Administration:								
Increase user fees for SSA to administer State supplementation of SSI benefits to $7.25	ON	---	-40	-70	-80	-80	-90	-360
Undistributed Offsetting Receipts:								
Implications of pay raise on employer share (preliminary)	RM	---	430	600	640	680	720	3,070
Total, mandatory outlay proposals		**1,113**	**-4,304**	**317**	**-1,372**	**-4,652**	**-11,686**	**-21,697**

Memorandum:	1997	1998	1999	2000	2001	2002	98-02
Spectrum (including initiative)	---	-1,600	-2,200	-3,900	-6,300	-7,300	-21,300
Initiatives (excluding spectrum)	-8	1,264	2,008	2,331	1,854	707	8,164
Other mandatory outlays	1,121	-3,968	509	197	-206	-5,093	-8,561
Total, mandatory outlay proposals	1,113	-4,304	317	-1,372	-4,652	-11,686	-21,697
Receipts:							
Integration VA and DoD entitlements 5/	-101	-416	-427	-439	-452	-464	-2,198
Disaster relief user fee (gov. rec.)7/	---	-456	-512	-543	-575	-611	-2,697

Key:
- RU-Reproposals from the FY 1997 Budget (includes changes in effective dates and reestimates)
- RM-Modification of proposals from the FY 1997 Budget
- I-Campaign Initiatives
- ON-Other new proposals

1/ If the goal is to concentrate recovery of reserves in the out years, the estimates would be as follows:

	1997	1998	1999	2000	2001	2002	98-02
Concentrate recovery of student loan reserves in the out years	---	-307	-295	-266	-278	-735	-1,881

2/ Decision to move sale of Elk Hills from 2002 (as proposed in the FY '97 Budget) to 1998 (as required by current law) is under review.
3/ Also affects Bureau of Land Management and Forest Service. Current proposal would now earmark all receipts to the collections agency (no net savings).
4/ Net government savings is $300 million less annually because of offsetting costs to the Medicaid program.
5/ CBO and Treasury staff have indicated that they will not score any savings from this provision.
6/ In 2003, this proposal yields $17 billion in savings.
7/ Savings net of income offsets

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

Office of the Deputy Assistant Secretary
Policy, Planning and Innovation

7th and D Streets, SW
Room 4060, ROB-3
Washington, DC 20202 5143
Phone: (202) 205-2987 Fax: (202) 401-5749

Fax Cover Sheet

Number of pages following cover sheet: 4

TO: Bob Shireman
Pat Smith

FAX: 395-4875

FROM:

Maureen A. McLaughlin ✓

Lynn Mahaffie ____

Tia Cosey ____

Francine Picoult ____

Sandy Wood ____

Janet Sharps ____

MESSAGE:

Table to accompany a draft pass back appeal letter I sent earlier today

Please call

Maureen

FY 1998 Student Loan Policy Options
OMB Passback Appeal Assumptions

All amounts in $millions

Reduce borrower fees: $3.3 billion	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998-2002
a) Eliminate 1% guaranty agency insurance fee and lower Direct Loan origination fee by 1%						
Eliminate 1% guaranty agency insurance fee						
BA	0	0	0	0	0	0
O	0	0	0	0	0	0
Lower Direct Loan fee 1%						
BA	176	203	215	227	240	1,061
O	95	171	187	198	209	860
b) Eliminate origination fee for subsidized Stafford borrowers						
Eliminate 3% fee for FFEL						
BA	256	230	226	248	266	1,226
O	140	217	206	217	235	1,015
Eliminate 3% fee for Direct Loans						
BA	300	343	360	375	390	1,768
O	165	297	322	336	350	1,470
New Provision in Appeal						
Total						
BA	732	776	801	850	896	4,055
O	400	685	715	751	794	3,345

Reduce lender subsidies: $3.0 billon

		FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998-2002
a) Se:- in-school interest rate at ED borrowing rate							
	BA	-256	-176	-186	-191	-205	-1,017
	O	-140	-188	-165	-173	-182	-848
b) Reduce lender reinsurance rate to 90%							
	BA	-218	-196	-209	-221	-234	-1,078
	O	-134	-183	-187	-198	-210	-912
c) Extend Sallie Mae fee to entire secondary market							
	BA	-298	-36	-39	-41	-43	-457
	O	-281	-33	-34	-36	-38	-422
d) Create semi-annual loan holder fee							
	BA	-59	-56	-59	-62	-65	-301
	O	-32	-51	-52	-55	-57	-247
e) Increase lender origination fee from .5% to .8%							
	BA	-58	-44	-54	-56	-56	-268
	O	-37	-44	-46	-51	-52	-230
f) Require Sallie Mae fee on securitzed loans							
	BA	0	-6	-18	-29	-39	-92
	O	0	-6	-18	-29	-39	-92
g) Eliminate guranteed of rate of return floor though modifing special allowance							
	BA	0	0	0	0	0	0
	O	0	0	0	0	0	0
h) Require lenders to offer same repayment plans as exist in Direct Loans except income contingent							
	BA	-69	-64	-67	-74	-83	-347
	O	-32	-55	-59	-64	-71	-281
New Provision In Appeal							
Total							
	BA	-948	-578	-632	-677	-725	-3,560
	O	-656	-560	-561	-608	-649	-3,032

Transform Guaranty Agencies: $1.9 billion

		FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998-2002
a) Increase agency default reinsurance payment to 100%							
BA		98	87	93	99	104	481
O		60	82	83	89	94	408
b) Eliminate supplemental pre-claims assistance payments							
BA		-70	-9	-10	-10	-10	-109
O		-66	-9	-9	-9	-9	-102
c) Reduce default collection retention from 27% to 0%.							
BA		~~-469~~	-56	-60	-63	-66	-714
O	27-18.5%	-442	-62	-53	-56	-59	~~-662~~
		-269	-31	-31	[illegible]	-31	-393
d) New operations fee paid to agencies by ED							
BA		173	173	173	173	173	863
O		173	173	173	173	173	863
e) New default prevention fee paid to agencies by lenders							
BA		0	0	0	0	0	0
O		0	0	0	0	0	0
f) Net return of agency reserves							
BA		-1,862	-23	-30	-23	-21	-1,959
O		-1,862	-23	-30	-23	-21	-1,959
g) Allow claim filing prior to payment							
BA		0	0	0	0	0	0
O		0	0	0	0	0	0
h) Authority to advance additional working capital							
BA		0	0	0	0	0	0
O		0	0	0	0	0	0
New Provision in Appeal							
Total							
BA		-2,130	172	166	176	180	-1,438
O		-2,137	171	164	174	178	-1,452

Reduce funding for Section 458	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998-2002
a) Move administrative cost allowance to FFEL subsidy						
BA	115	109	116	125	130	595
O	115	109	116	125	130	595
b) Remove administrative cost allowances from Section 458						
BA	-115	-109	-116	-125	-130	-595
O	-115	-109	-116	-125	-130	-595
c) Reduce Section 458 funding levels						
BA	-218	-56	-59	-60	-61	-456
O	-155	-122	-80	-67	-61	-485
d) Increase the Department's authorities for debt collection						
BA	0	0	0	0	0	0
O	0	0	0	0	0	0
Total						
BA	-218	-58	-59	-60	-61	-456
O	-155	-122	-80	-67	-61	-485
Total Savings						
BA	-2,564	312	276	289	289	-1,399
O	-2,548	174	238	252	261	-1,624
	-2,542	142	245	253	265	-1590
Savings from current service baseline						
BA	-2,564	312	278	239	289	-1,399
O	-2,548	174	238	252	261	-1,624
Savings from policy currently assumed in budget (policy baseline)						
BA	-1,329	790	780	810	826	1,876
O	-1,502	694	724	738	755	1,408

repealed
- 25 years...
= section 127

10-Dec-96
Budget Service