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001. statements	re: Student Loan Payment Record (including PII) (3 pages)	01/31/1995	b(6)

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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 advice 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]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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]

Direct Loan
Bill
Galston

THE WHITE HOUSE

WASHINGTON

March 7, 1995

Ms. G. Kay Jacks
Executive Director
Enrollment Services
Colorado State University
Administration Annex
Fort Collins, Colorado 80523

Dear Kay:

I was delighted to receive your letter from Brian Snow. I appreciate your thoughtful reflections on the success of the Direct Student Loan Program at Colorado State University.

As your experience demonstrates, the Direct Student Loan Program is helping to make college more affordable and accessible for numerous Americans. Through its efficient use of resources and common-sense approach to relieving administrative and financial burdens, this program has helped to expand opportunities for students and institutions across the country.

With the support of educators like you, we can ensure that this program benefits college-bound Americans for years to come. I'm grateful for your efforts, and I look forward to your continued involvement.

Sincerely,

Bill Clinton

Gaynor 218B

Colorado State University

Office of the General Counsel
202 Administration Building
Fort Collins, Colorado 80523
(303) 491-6270
FAX: (303) 491-2118

February 20, 1995

VIA FACSIMILE: (202) 456-5558

Ms. Marsha Scott
Deputy Assistant to the President
The White House
Washington, D.C. 20500

Dear Marsha:

Crissie and I both greatly enjoyed visiting with you again during your visit to Denver with the President. Your correspondence to Crissie was delightful and really made her happy.

During my visit with the President, I noted that Kay Jacks, our Financial Aid Director, had expressed great satisfaction with the Guaranteed Loan Program, emphasizing that it has given many new educational opportunities to people in our state and removed a significant number of impediments to assuring prompt and effective allocation of student financial aid and the enrollment of students. Kay's views on this subject were recently set forth in a column in "Newsweek" (February 6, 1993) by Jane Quinn, which is enclosed. Moreover, fears of reduction or elimination of the Program expressed by Kay and many of our students are set forth in an article from our local newspaper, which I am also including.

The President seemed quite pleased to hear about our positive experiences with the Program and asked that I send him a short memorandum from Kay expressing her thoughts about its value and importance in higher education. Hopefully, the enclosed letter from Kay will meet his needs. We would greatly appreciate your giving it to him. Kay felt greatly honored in being asked to prepare this material for the President.

I have often spoken to the President about Dr. Albert Yates, the President of our University, and described the great leadership he has provided for higher education here and throughout the State of Colorado. I am including a few columns he has written for Denver newspapers, which I think the President will also enjoy reading.

While participating in a symposium on gender equity in athletics at the Duke University Law School last week, I was besieged by the staff members of the *Journal of Gender Law and Policy*, who are Hillary fans, to send her one of their t-shirts. I am complying with their wishes through a separate mailing to you.

Thank you for your kindness and courtesy. Crissie and I look forward to seeing you again soon.

Sincerely,

Brian Snow

Brian A. Snow
General Counsel

BAS/

Enclosures: (as referenced above)

Colorado State University

February 20, 1995

Enrollment Services
Administration Annex
Fort Collins, Colorado 80523
(303) 491-2127
FAX: (303) 491-2283

President William J. Clinton
The White House
Washington, D.C. 20500

Dear President Clinton:

Brian Snow, University General Council, has asked that I share with you the success of the Direct Student Loan Program at Colorado State University. Rarely do the taxpayers benefit from a program which is both administratively superior and saves them $4.3 billion dollars. In only six months, institutions, students, Congress, and the Administration collaboratively reengineered a model higher education financing program for the next century. On behalf of the entire Colorado State University community, I wish to thank you for your continued support of student financial aid programs which are so vital to the contributions to society, to be made by college graduates in future generations.

Professionally, I marvel at the improvement this single piece of legislation has made on the entire administrative infrastructure of higher education finance. As an individual who dropped out of the University of Arkansas in 1968 because I was too poor to attend and too afraid of the financial aid office to ask for help, I am humbled and personally gratified to have been a part of history in promoting the passage of the legislation for direct student loans.

Through this program, policy makers have placed authority, accountability and responsibility for service in the hands of the primary service providers and recipients. Each participant (Congress, Department of Education, private industry contractors, institutions, states, students, and taxpayers) shares in the overwhelming success of Direct Lending.

Colorado State University assumed an early leadership role in support of Direct Lending. We supported the concept because we so strongly believed the complexities of the Federal Family Educational Loan Program (FFELP) increased our administrative overhead and consequently our tuition requirement. Direct Lending seemed essential to improving service to students and controlling tuition costs caused by unnecessary bureaucracy.

I share with you some measures of success at Colorado State University:

- By the end of the first week of classes in Fall 1993, we had disbursed $5.3 million in Federal Family Educational Loans. With Direct Lending, that figure for Fall 1994 was $14,980,500. The difference is attributable to changes in the loan process. Needless bureaucracy stood between students and $9.6 million in student aid which they needed and were eligible to receive.

- Of that $14,980,500, nearly $9,000,000 was available for students for educational expenses not paid directly to the University. Merchants and property owners in Fort Collins (a community of 100,000) indirectly benefitted from Direct Lending. For the Spring semester, the $9,000,000 had grown to $13,879,989.

- Students and their parents comment with amazement at the timeliness and administrative ease of obtaining their loans. They fear the return to the delivery methods of the Federal Family Educational Loan Program.

- By decreasing the required time for processing loans, the program has given our financial aid staff more time to devote to advising and counseling students having financial problems and needing assistance.

- Our student traffic for loan processing is down from last year by 43 percent for telephone assistance and 38 percent for help in person.

We respect your courage in supporting a 100% conversion to Direct Lending. To return to FFELP or deny opportunity for school participation in Direct Lending access would undermine the hopes and dreams for educational opportunity for America's students, who are the trustees of our future.

Very truly yours,

G. Kay Jacks

G. Kay Jacks
Executive Director

GKJ:sl

Cabinet file

Give It a Chance

Congress threatens to limit the president's new student-loan plan

BY JANE BRYANT QUINN

A CLINTON INITIATIVE VULNERABLE TO A REPUBLICAN bombing run is "direct lending"—his new approach to student loans. The president praised the fledgling program in the State of the Union Message. It's cheaper for taxpayers, he said, and saves weeks of bureaucratic time. But key Republicans hated the law when it passed in 1993, and hate it still. A bill just introduced by Rep. William Goodling of Pennsylvania caps at 40 percent the volume of student loans permitted under direct lending. That's OK, if Goodling wants only to wait and see how well the program works. It's not OK if his prime intent is to shoot it down.

At present, most loans are made by banks or other private lenders, administered by state or private guarantors and insured by the federal government. The Feds pay the banks and the guarantors for their services. If you default, the taxpayers typically cover 98 percent of the loss. So lenders earn their comfortable profits at small risk. Estimated cost to the government this fiscal year: $6.3 billion.

Make money: The president's new direct-lending program cuts out the middlemen. You get your loan directly from your school, which draws the money from a government-funded account. Repayments go to the Treasury. Private contractors administer the loans and handle collections. The government expects to make money on the program the same way the banks do—by borrowing at a low interest rate and lending to students at a higher one. The Feds also think they'll pay less in administrative costs.

Fierce resistance to direct lending, by the lenders and guarantors that now handle the business, almost snuffed the program at birth. With opponents in the ascendancy, the lobbyists are again in full cry. Controversy surrounds the question of how much money, if any, direct lending saves. Doubters say that the government wouldn't know how to run a stocking, although schools already using the system say it works fine. There *are* successful federal programs, such as social security. The question is whether direct lending can be one of them and whether the administration will be given a chance to find out. What students need to know:

■ *Should you take a direct loan if your school offers them?* Of course. It's the same loan, with the same borrowing terms, that other students get at banks. Fees were lowered in 1994 and loan amounts raised. Dependent undergraduates can borrow up to $23,000 for their education—one third more than was formerly allowed. If you show financial need (a complex formula, comparing family income with college costs) the government pays the loan interest while you're in school. Otherwise you owe the interest although your payments can be deferred.

Around half of all undergraduates borrow today; they graduated last year with an average debt of $10,500, according to Jerry Davis, director of research for Sallie Mae, a prime player in the private-loan market. Due to rising tuitions and increased loan availability, last year's entering freshmen will probably graduate $13,600 in debt, Davis says—a 30 percent increase. Average payments will rise to $163 a month, from $126 today.

■ *Are direct loans better for you?* Probably so, in two major ways. You get the loan right at your school, which saves you a couple of steps. Even late applicants can get paid before school starts, because their request doesn't wind through the banks. The portion of student loans processed by the fall semester rose 35 percent last year at Colorado State University, reports Kay Jacks, head of financial aid—thanks largely to direct lending. If a student's eligibility changes, the loan amount can be adjusted overnight. By contrast, getting a change through a private lender can be a bureaucratic headache, Jacks says. Direct loans also save the schools from coping with each lender's separate forms.

Ironically, free-market competition wasn't fixing these problems. But government competition has been "a wake-up call," says Susan Conner of the USA Group, which guarantees and services student loans. USA now delivers loans faster and can give schools a speedy update on an application's progress, she says.

Colleges like direct lending, but bankers are lobbying to get the business back

Eighteen institutions with major loan programs—including Citibank, Chemical Banks and Bank of America—plan to create a common electronic lending system. Sallie Mae and USA Group are doing something similar. One reason that Duke University isn't offering direct loans, says James Belvin Jr., head of financial aid, is that private lenders are falling all over themselves to improve.

■ *How will you repay that daunting debt?* The vast majority of students pay within the normal 10-year term. But as loans mount, longer terms may become more common. Direct lending offers an "income contingent" repayment plan that pegs your payments to the money you earn and how many dependents you have. Typically, you'll owe from 4 to 15 percent of your adjusted gross income.

Private lenders will compete in this arena, too—the first being Sallie Mae, which will announce an income-sensitive plan this week. But there's a downside. Stretching out payments always increases your interest costs. In the government plan, your payment may not even cover all the interest due. Any missing amounts will be added to your loan, increasing your debt by as much as 10 percent. So use this program only as an alternative to default.

■ *What if you can't afford the student loans you have now?* You can refinance them through the direct-loan program or its private competitors. The U.S. Education Department hopes to take over large numbers of current loans, and says that will save the government money. But private lenders are screaming and the new program is unproven. Congress may dig in its heels here.

■ *Can costs be cut anywhere else?* One thought is to quit giving government-backed loans—direct or otherwise—to high-income families. For the past two years, student loans have been open to everyone, regardless of wealth. When interest rates are low, the well-to-do pay their own way. But no student is charged more than 8.25 percent. When student-loan rates go higher, as they may in July, taxpayers absorb the extra cost. If Goodling's prime concern is the federal budget, he ought to be looking at this issue, too.

Reporter: TEMMA EHRENFELD

ORT COLLINS
LORADOAN

unity editor:
›tz, 224-7730

LOCAL

SUNDAY, Feb. 19, 1995

Financial aid future clouded

By DAN HALEY
The Coloradoan

Education

As congressional Republicans look for ways to slice big government, some Colorado State University students are hiding their pocketbooks.

There's a growing fear in academia that words such as "balanced budget" and "budget trimming" mean cuts to financial services, said Kay Jacks, director of CSU's enrollment service that handles financial aid.

"The Congress has an awesome task of trying to control the deficit," Jacks said. But, she added, so many areas of the federal budget, such as Social Security and the military, are sacred.

"In domestic spending, one of the only areas left is federal student aid."

One of the biggest concerns for students and colleges is the suggestion that federal student loan subsidies could be eliminated to save what Jacks believes to be several billions of dollars.

Now, the government typically gives banks an extra five percent on loans they provide to students. But if that subsidy is cut, students will have to pay that interest on their loans out of their pockets.

For example, if a student borrows $10,000, the amount will jump to $12,500 because of accumulating interest upon graduation if the loan is unsubsidized, Jacks said.

Tom Wyatt, president of Associated Students of Colorado State University, called the possibility of cuts "pure insanity."

Jacks said there has been speculation that work-study programs, funded through the federal government, could be cut.

"That was the interpretation of the (Republican) Contract With America," she said. If the program were cut, about 1,500 CSU students would be forced to find other work. Work-study students can be found doing jobs from office work to research, she said.

One 29-year-old graduate student, who did not want to be identified, said dropping the program would only add to the $20,000 in loans he has already racked up.

"It's helping me pay the bills as I try to get my Ph.D. without having to borrow," he said. "I could probably get through the program, but my loan debt would go up."

It also could force him into a job that would do little to further his communication skills. He's now a phone counselor in the financial aid office.

One bill that has been proposed in the U.S. Congress, House Resolution 530, would cap the percentage of schools allowed to participate in direct lending at 40 percent. CSU is part of the five percent of schools now participating in the first year of direct lending. Under the Student Loan Reform Act passed last year, the program was supposed to slowly be in-

See LOANS, Page B2

Loans

Continued from Page B1

creased to 100 percent of all universities.

Direct lending eliminates the middleman in student loans, such as banks.

Instead of getting a loan through a bank, the money comes directly from the government.

Wyatt said the program is "faster, cheaper and easier" for students.

But supporters of House Resolution 530 in Washington, D.C., contend the program steals from the private sector.

"But what it is is welfare for banks. It's bank subsidy," he said. "The whole reason for freezing (direct lending) is trying to kill it."

Those in favor of keeping direct lending and expanding it to all universities say it eliminates expensive bureaucracy.

Jacks argues that direct lending can save the government money, especially since it should be easier to track deadbeats who default on loans and cost taxpayers money.

ASCSU plans on setting up three computers in the Lory Student Center to give students the opportunity to e-mail their representatives on changes to the loan program.

THE DENVER POST

Universities must teach both facts and values to stave off barbarism

SOME FORTY years ago, as a boy of 10 or 11, I strayed some distance from my home. The unfamiliar surroundings seemed like an unknown, safe place where I could do as I pleased —and so I misbehaved. Unknown to me, I was watched. By the time I arrived home, my mother knew of my whereabouts and behavior — and I paid.

During those times, our neighborhood manifested and nurtured the values we learned at home. There were accepted community standards of behavior which children were expected to uphold. We learned that if we crossed the line — if we strayed too far — there was a community of adults who had their eyes on us and were willing to step in and reinforce our parents' values.

The world for most of us is quite a different place now, changed by a redefinition of family, an increasingly mobile society and the contracting boundaries of our neighborhoods. Community standards are more ambiguous, less easy to define.

As a result of these dramatic cultural shifts, expectations of and demands on elementary and secondary schoolteachers have changed over the past two decades as well. A few decades ago, teachers accepted the reinforcement of parents' standards as part of their responsibility. Now, teachers often are expected to introduce children to the values and standards of behavior requisite to membership in a civil society.

At the same time, changes of a different kind have occurred in our system of higher education. Once, under the philosophy of *in loco parentis*, universities acknowledged an obligation to monitor and discipline students as their parents might — a practice correctly abandoned during the social upheaval of the 1960s.

Since that time, higher education has evolved effectively to meet the needs of a changing world in a host of important areas — technology transfer, educational access, research, economic development, extended studies and more — but with one notable exception. We have failed to address as well as we might questions critical to the shaping of our humanity. What, for example, is the academy's role in directing, or reacting to, the changing social fabric of our country? What level of responsibility should be assumed by our colleges and universities in inculcating and refining values? In preparing our graduates for citizenship? As higher education strives to regain the public trust,

ALBERT YATES

our institutions must become more certain of their responses to such questions. I don't pretend to have the answers, but some things are clear: We must resurrect the notion that universities play a critical role in developing human beings, and that our institutions themselves have an active part to play in determining the course of future societal events.

In a 1981 essay, Colorado State Professor Willard Eddy warned of the danger of universities graduating students who are highly skilled in technical fields but lack an essential humanity. "Decency, civility, respect for others, are not stored in libraries or computers," he wrote. "Each generation comes into the world with more potential for becoming barbarians than for becoming saints. Consequently . . . a decent society is not easily sustained."

No institution is better positioned to sustain such a society than a university. These are places which, by their very nature, are expected to model the highest values of civilization.

For the public university, discussion and expression of values seem to occur in two contexts: The first is within the academic program itself; the second is within the example set by the university through the general conduct of its activities. These two settings are not unrelated and often at odds. But this tension between them — brought on by our quest for objectivity and dispassionate discourse on the one hand and our need to stand for something on the other — is a necessary part of the university's search for truth.

Students come to college, in large measure, unshaped and uncertain. But they come with strong beliefs and assumptions, looking to the university for knowledge and guidance. Just as we expect a kindergarten teacher to educate young children in those simple rules that teach discipline and good behavior — say "please" and "thank you," don't cut in line, respect others' belongings — we should expect college professors to help students achieve understanding at a higher level of the finest attributes of a civilized society: the ability to act fairly, reason plainly, express oneself gracefully, behave honestly, define a position worth defending, and accept responsibility for actions taken.

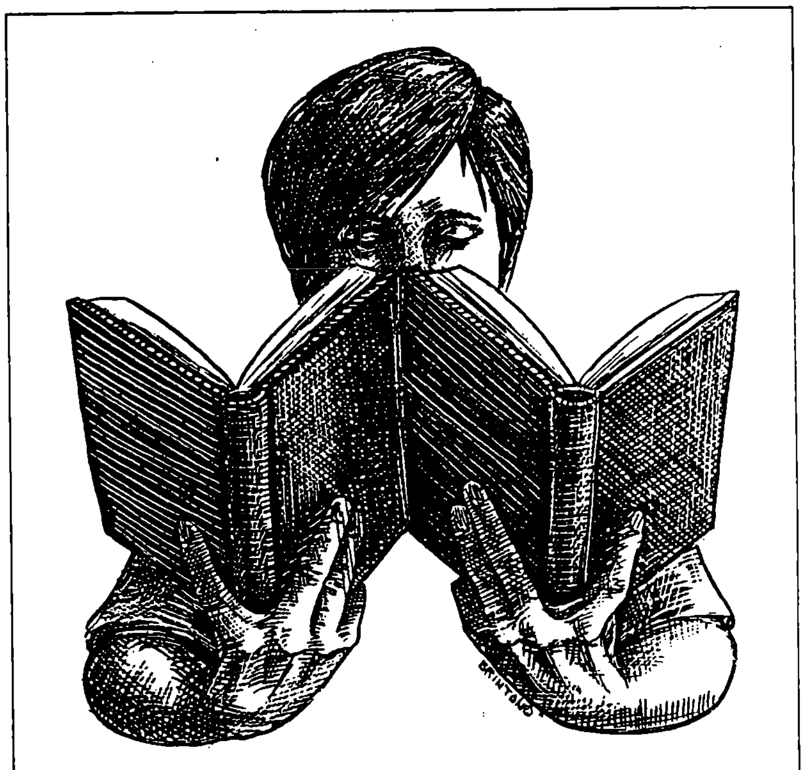
As well, our society expects university graduates to be intelligent people. J. Martin Klotsche, former chancellor of the University of Wisconsin-Milwaukee, once described an intelligent person as "one who has learned 'to choose between'. One who knows that good is better than evil, that confidence should supersede fear, that love is superior to hate, that gentleness is better than cruelty, forbearance (more noble) than intolerance, compassion (greater) than arrogance, and truth more virtuous than ignorance."

A university's job is to help its students acquire the knowledge to choose wisely and to understand the consequences of their choices. In our classrooms and on our plazas, we must permit all manner of thought and debate, no matter how controversial or offensive. And within such forums we must be especially guarded in our advocacy of one position over another.

But we still can do our very best to say, "Here are the results of choosing one set of actions over another. Here is what happened when someone embraced this course, and here is what happened to someone who chose a different path."

In educating people to choose wisely, the true mettle of a college or university is gleaned through the aspirations of its general education program. Father Theodore Hesburgh, former president of Notre Dame University, captured the ideal in characteristic eloquence as he reviewed the possibilities of the curriculum:

"Language and mathematics stress clarity, precision, and style if well-taught; literature gives an insight into that vast human arena of good and evil, love and hate, peace and violence as real living human options. History gives a vital record of mankind's success and failure, hopes and fears, the heights and the depths of human endeavors pursued with either heroism or depravity — but always depicting real virtue or the lack of it. Music and art purvey a sense of beauty seen or heard, a value to be preferred to ugliness or cacophony. The physical sciences are a symphony of world order, so often unsuccessfully sought by law, but already achieved by creation, a model challenging man's freedom and creativity. The social sciences show man at work, theoretically and practically, creating his world."



Such values, expressed and debated throughout the academic program, offer the substance to permit an assessment of how the university itself chooses to conduct its business. Any university has a set of values it embraces and displays in decision-making, aesthetics, concerns about safety, about people and about funding — even in the programs and courses of study it offers.

The emphasis universities place upon qualities such as service, community, integrity and decorum are manifestations of the things we treasure.

Interpreted in this way, our universities model (or should) for their students —and others — principles and standards deserving of preservation and emulation. In the ideal, faculty and staff elaborate the culture broadly articulated by the institution. Through their behavior in the classroom and laboratory, as well as through personal contact with students, faculty can encourage students to embrace simple truths, like those which Klotsche named, which we know to be right and good.

It is most important that the university be preserved as a forum for speech and debate that is unconstrained and unabashed. During their time on campus, students need to feel safe to venture into unknown territory, to push against the boundaries of what they know and draw conclusions based on their judgment and experience.

But they should do so within the context of an environment which is itself secure and well-founded.

The world is a different place from that in which many of us grew up. Those neighbors who watched me wander from home and get into mischief were part of a system of needed oversight and reinforcement of important things learned, but not yet owned.

Much has now changed and new systems must be invented: Our colleges and universities surely must play a crucial role.

Albert C. Yates is president of Colorado State University and chancellor of the CSU system

Building bridges

Diversity on campus demands new responses

By Albert C. Yates

Traditionally, the United States has regarded itself as a melting pot — a society in which all cultures simmer and blend into one homogeneous stew. And yet, when some groups don't swirl easily into the mix, they often are simply excluded, cut off from opportunity because they are not part of the cultural mainstream.

The myth of the American melting pot is that it builds unity from diversity. In truth, the result has been a fractured society characterized increasingly by fear and anger. No greater challenge faces our nation — and its system of higher education — than the question of how to build a unified, binding society from the many, vastly different cultures it comprises.

Our universities have become a microcosm of the rest of the nation, complete with all the struggles and conflicts of any multicultural community, as well as its richness and vitality: How do we create a welcoming and supportive environment for all students on a predominantly white campus? How do we engender sensitivity in the campus media, faculty and more without imposing inappropriate standards of political correctness and violating individual rights to speak and think freely? And most important, how do we build a unified community in a stratified society?

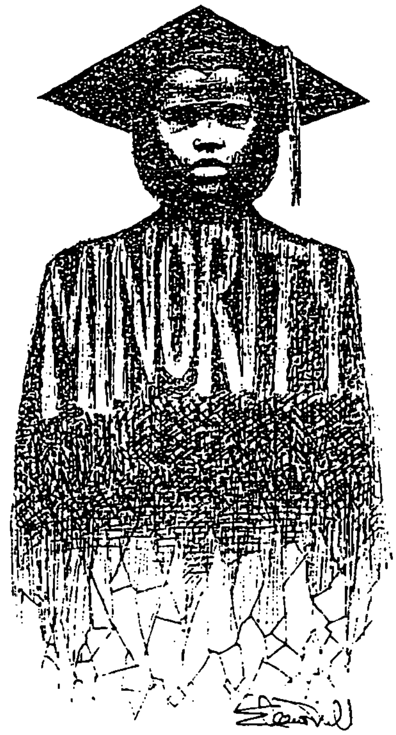
Despite decades of well-meaning programs, protests and marches, we seem but little closer to the ideal of a society of both unity and diversity.

I don't pretend to have the answers. It may also happen that, because I am black, many readers may find it easy to discount or even dismiss my remarks as being emotional, biased and self-serving. But consider this: Unless the United States finds a way to include increasing numbers of the disaffected and excluded in the mainstream of society, we will, as Pulitzer Prize-winner David Halberstam tells us, "become evermore a nation of social disharmony with a few rich and a great many poor people who are not only a burden to themselves but a burden on society."

The difficulty lies in finding ways to celebrate differences while still cultivating and emphasizing the ties that bind us as a people. We seem to have forgotten that our similarities are greater in number than are our differences. Even if we are divided by barriers of race, class, economic status and heritage, we are still bound by our love of freedom, our respect for the individual, our common history as citizens of the United States and our dependence on each for the survival of all. As writer Elliott Liebow said, "I don't want to overlook the differences among us, but ... I think it's the samenesses that really needs pointing out."

These, then, are some of the challenges faced by our college and university campuses. There are others. Colorado statistics show that minority high school graduates go to college at the same rate as their peers in the majority population. The problem is, they don't stay. Indeed, minority graduation rates drop dramatically as the level of the degree increases. And these students have told us their primary reason for leaving is a lack of comfort at Colorado's colleges and universities.

Many students — white students included — are not comfortable on the large, sprawling campuses they enter as freshmen. They often feel lost, unnoticed, unable to bond successfully with their peers and faculty members to achieve a sense of belonging.



OTHER
voices

ROCKY MOUNTAIN NEWS

Board of Editorial Contributors

Albert C. Yates is president of Colorado State University and chancellor of the Colorado State University System.

For minority students on predominantly white campuses, this sense of discomfort is amplified when few similar faces are seen in their classrooms and laboratories, when they are unable to find role models of their own ethnic heritage, when they can't find a barber who knows how to cut their hair, when there's no place they can go on a Saturday night without feeling conspicuous.

We know the success of our students correlates strongly with their level of comfort and sense of belonging in the community. We also know that many of our students of all racial and ethnic backgrounds do not feel at ease.

So how should we respond? Do we seek ways to make all our students feel accepted and appreciated, thereby increasing their chances of success in earning an education? A recent *Rocky Mountain News* editorial supports an institutional posture of "disinterested benevolence," implying we should treat all students equally, ignore the discomfort of some, and refuse to supply any special services to ethnic minorities or others whose needs differ from the majority. This, indeed, was the response before the student unrest of the 1960s and the lessons of subsequent decades. It doesn't work.

A university is obligated by its nature and mission to serve all students — to educate and train them; to allow their humanity to unfold; to provide them with the knowledge to choose wisely throughout their lives; and to listen to their concerns and complaints and attempt honestly to resolve them.

Concern about the comfort of our students has always been a priority for higher education; the nature and complexity of this concern have changed as the needs of students have changed. In the past, this expression of concern resulted in creation of married student housing, the presence of fraternities and sororities, the development of international student centers and so on — all services provided to students with similar interests and circumstances to enhance their sense of belonging.

Minority students on a predominantly white campus seek only what the majority of students and others in the community take for granted — a sense of ownership and security. How is this to be achieved in this era of fear, anger, retaliation and backlash? No institution seems yet to have crafted the perfect answer, but we do know something about the terrain to be traversed. We know our eventual approach must be "owned" by the full community, must withstand the affronts of all points of view, must be sincere in its intent and open in its adoption.

Special attention must be given to the cultural and social needs of students — especially minority students. We should explore untested avenues such as the possibility of creating some sort of gathering place for students who, for whatever reason, are ill at ease. It could be a multiethnic "way station," where cultural identity is preserved, or a "campus house" that offers empathy for the black student from south central Los Angeles, the white student from rural Colorado or the Hispanic student from the San Luis Valley.

As the *Rocky Mountain News* said, there is "something wrong with the notion that students should be encouraged on racial grounds to lead lives separate from their fellow students." If, in our eagerness to provide services to minority students, we further isolate them, creating "ghettos" on our campuses, then we have failed. If we bend standards and lower expectations, then we also have failed.

But higher education — like our society — will not survive if we rely on the myth of the "melting pot." Colleges and universities do not fulfill their obligation to students merely by enrolling them in classes. We are challenged to explore and realize the full measure of human potential — intellectually, culturally, socially and professionally. This cannot be accomplished through "disinterested benevolence." The issue of diversity is, and always has been, a question of balance and fairness. We cannot achieve our ideal by building artificial shelters — but we can build bridges.

SPEAKOUT

Colorado universities aren't letting anything slide

By Albert Yates

Last month, *Rocky Mountain News* readers were greeted with the alarming news that "CU, CSU let teaching slide." Certainly, the state's two leading universities would dispute this claim, but even more disturbing is that the *News* offered no real evidence to support this glaring, subjective assertion.

Albert Yates

The stories were generally well-researched and written, if incomplete. Colorado research universities are not letting teaching "slide" in favor of other pursuits, nor is it true that professors spend too little time in the classroom. In fact, the great majority of university professors work very hard at teaching — in the classroom, the laboratory and numerous other educational settings. But the conclusions drawn from these stories by the *News'* editorial board and the headline writer missed the key point.

The true challenge facing research universities is different and far less simplistic than the one identified by the *News*. It is this: Universities have tried for the last half a century to be all things to all people — and they no longer can afford to do so.

This situation has resulted from a sequence of events spanning more than four decades — each event exerting pressure on universities and demanding a response. World War II and Sputnik, for example, created great needs for scientific discovery and technical innovation in the interest of national defense and industrialization. The G.I. Bill, civil rights movement and "baby boom" opened public universities and fueled their explosive expansion. The Vietnam War, accompanied by campus uprisings, dramatically changed the structure and culture of universities. And, now, global economic conflict and competition are demanding still a different role for the research university.

These pressures have combined to produce a university more open and accessible, more focused on research, more flexible and less structured, and with an extraordinary array of academic courses and services. There also have been negative consequences: an overabundance of course options that too often compromise academic rigor and curricular coherence; a more distant and impersonal relationship between students and faculty; rapidly increasing costs; and, often, the loss of campus community and tradition.

Colleges and universities are guilty of responding to the needs and demands of the public. But have they gone too far? And do we, as a general public, expect too much of higher education?

We cannot respond to such questions simply by calling on universities to de-emphasize research in favor of teaching. Research should be a top priority for our research universities — that's one of the reasons such universities were created. Colorado's research universities contribute impressively to the state's economic vitality, nurture an educated and highly skilled workforce, support the creation of jobs and are an essential factor in drawing new, clean industries to this region.

As well, research grant and contract income, along with out-of-state tuition, has long subsidized the cost of in-state undergraduate education. The importance of this subsidy becomes evident on noting the historical levels of support for Colorado higher education. The 1993-94 national report by Research Associates of Washington notes that in higher education general fund appropriations per student, Colorado ranks 49th out of 50 states and the District of Columbia. Our state also ranks 49th in the combination of general fund appropriations and net tuition per student — having slipped five places since the 1992-93 report.

In this fiscally constrained environment, research income has helped fund faculty salaries, support staff, building maintenance, educational equipment purchases, laboratory opportunities for students, and many other things that enrich the learning experience. At Colorado State and the University of Colorado-Boulder, research facilities are mainly improved and maintained through research grants and indirect cost recoveries from research programs — thus improving the educational environment without placing additional burden on state taxpayers or students.

Despite the many benefits, our institutions have been quite frank in noting that the incentives and rewards for teaching excellence no longer match those for achievements in research. Yet it is naive to believe that increasing the teaching loads of a few faculty at the expense of research will make much difference in institutional productivity or the quality of education. The issue now is not how much or how well faculty teach, but how much and how well students learn. This has been the focus of the intensive educational reform efforts under way at Colorado State. Indeed, all of the state's research institutions have placed great emphasis on teaching and students in recent years.

One useful indicator of the status and progress of our research universities can be gained from the most recent annual ranking of some 1,400 American colleges and universities by *U.S. News & World Report*. The rankings are intended as a guide to prospective college students seeking information on the comparative merits of colleges and universities. In a single year, two of Colorado's three research universities — Colorado School of Mines and Colorado State — moved up an entire tier in the academic rankings. All three of the state's research universities now rank among the country's top 114 national universities — a distinction held by few other states.

And though we may be flattered by such recognition, we also know we must change still further. At Colorado State, we have embarked on a comprehensive program of "change and reform." Our on-campus discussions pertaining to students and teaching appear equally applicable to other research universities:

■ For many students, the number and variety of courses result in choices too broad and diffuse to serve as an adequate basis for further study. A return to an integrated common core of classes in key subjects could result in an education that is both better and more affordable.

■ Too few students are aggressive learners. Universities should expect more of their students, finding ways to convert them from passive to active learners and demanding they accept greater responsibility for their education.

■ Early data show that students who choose majors as freshman take longer, on average, to complete their degrees. Greater emphasis should be placed on academic advising, perhaps requiring most students to defer selecting a major until the third or fourth semester of study.

■ Large classes and the use of teaching assistants are needed to meet the high demand for certain courses in a cost-effective way. However, such classes can be made more effective and engaging by requiring that teaching assistants receive training in pedagogy and oral language skills.

■ The teaching/learning process can be assisted greatly through the use of communications technology. Enhanced use of new technologies allows the university to deliver information more rapidly, reduces costs and helps accommodate the growing number of students whose schedules require greater flexibility than the traditional academic schedule allows.

These points illustrate just a small part of the debate and changes occurring on most college campuses. But such efforts are not always made plain in sensational newspaper headlines — and no one is well-served by attempts to pit university research against undergraduate education at schools that are charged to do both.

If universities expect continued public support, we must demonstrate that our research is worthwhile, that students receive the education they deserve and that the state sees an appropriate return on its investment in colleges and universities. No one has been more aggressive in making this point than universities themselves.

Albert Yates is president of Colorado State University and chancellor of the Colorado State University System.

GAO

United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-255633

September 28, 1994

The Honorable Neal Smith
Acting Chairman
The Honorable John Edward Porter
Ranking Minority Member
Subcommittee on Labor, Health and
Human Services and Education
Committee on Appropriations
House of Representatives

This letter responds to the Committee's request for information on cost trends in the Department of Education's Pell Grant Program. As agreed with the Committee's staff, our objectives were to (1) identify patterns in the Department's funding of Pell grants and (2) estimate the incremental budgetary cost of various features of the Pell Grant Program.

We developed our information by obtaining and analyzing program data and estimates from the Department. We did not verify these data and estimates, but did discuss them with the Department's staff, and talked with staff of the Congressional Budget Office. We estimated several budgetary costs for Pell grant awards through our analyses and discussions with Department staff and others in the postsecondary education community. The effect of several legislative changes contained in the Higher Education Amendments of 1992 (P.L. 102-325) were uncertain at the time we did our analyses because in many cases the most recent available data were for the 1991-92 award year or earlier.

BACKGROUND

The Pell Grant Program is the Department of Education's largest student aid program providing grants for postsecondary students, with budget authority of about $5.8 billion for the 1993-94 award year. The Higher Education Act of 1965, as amended, authorized grants to undergraduate students of up to $3,700 for the 1993-94 award year. However, congressional appropriations limited individual grants to $2,300 (called the maximum

Gene 2/13

Leon has the original for the President. If you have any question or concerns let me know

Kitty

THE WHITE HOUSE

WASHINGTON

February 13, 1995

INFORMATION

MEMORANDUM FOR THE PRESIDENT

CC: LEON PANETTA

FROM: KITTY HIGGINS
GENE SPERLING

SUBJECT: Communications Plan for Direct Lending

For your information, this memo summarizes the Department of Education's recent efforts to publicize your Direct Lending program.

Free Media

Radio Public Service Announcements:
The Department mailed seven radio PSAs to 10,600 radio stations in November and the ads continue to run in virtually every market in the country, with a heavy concentration on campus and college radio. The results of these PSAs have been phenomenal as the Office of Public Affairs has been inundated with calls for more information. The direct lending 800 numbers have received several thousand calls as a result of the PSAs.

In the next few weeks, the Department will have the next generation of the ads and will send them to radio outlets across the country.

Newspaper Public Service Announcements:
PSAs have been sent to 11,700 newspapers (ranging from weeklies to large dailies) and 1,600 campus newspapers. The ads run at the discretion of the publishers; the Department has had better success with the smaller circulation papers and the campus papers. A copy of the ad is attached. The second wave of PSAs will be mailed in conjunction with the new radio PSAs.

Television Public Service Announcements:
The Department is in the process of soliciting bids for a company to produce television PSAs.

Press Release: Today, the Department mailed to the same 11,700 newspapers and 1,600 campus papers a press release written as a news feature on the advantages of direct lending (attached). Many newspapers run a release like this as if it were their own news story. The Department has found this to be a particularly effective tool in getting out our message. This same press release will be available on the Departments's radio feed, which reaches 10,000 radio stations. A similar mailing this past November generated hundreds of calls to the Office of Public Affairs requesting additional information on the direct lending program.

Two weeks ago, the Department did a targeted mailing to the same list with a press release on a new publication, "Preparing Your Child for College." The publication discusses the direct lending program in detail. The mailing has generated hundreds of calls and numerous regional press clips.

In addition, the Department has prepared a packet for college financial aid administrators to generate local media. In the packet, there is a description of how to set up a media event showing how easy it is for a student to get a direct loan. (It literally takes a matter of minutes.) The Department also gives them direction in planning the event and inviting the media. These local events are designed to reach the grassroots in a way that coverage in The Washington Post and The New York Times can't.

Editorials: The Department routinely place op-eds by Department officials or surrogates in regional newspapers around the country. For example, in mid-January, the Department placed an op-ed by former Education Secretary Ted Bell (Republican) in more than 40 regional papers. The Department attempts to place op-eds monthly.

The Department has prepared and distributing talking points on the benefits of direct lending to editorial writers to aid them in crafting editorials. Departmental staff is contacting these writers individually to tout the benefits of direct lending and offer additional information or sources who can speak positively.

College and University Press and Radio

In addition to being part of the broader mailings, the Department routinely does targeted mailings to this audience. These mailings always generate press calls for more information. In addition, the direct lending 800 numbers usually are inundated with requests for information.

Brown Bag Lunches

The Secretary and Deputy Secretary regularly invite reporters and columnists in to talk about direct lending issues. Another is planned for late next week. Those that have written favorable so far are David Broder, Mort Kondracke, Ben Wattenberg, William Raspberry, Mary McGrory, Jack Anderson and Ed Yoder.

Events

Both Secretary Riley and Deputy Secretary Kunin have done numerous events over the past year which often generate positive local coverage. For example, the Deputy Secretary will visit Georgia State University this week to do a direct lending event. She will work with a student to show how easy it is to get a direct loan. Reporters will see how first-hand the effectiveness of direct lending. In many of the events, financial aid administrators demonstrate via computer how loans are processed and describe the ease and simplicity of the new program.

Video/Computer Demonstration

The Department is preparing a seven-minute video (with accompanying computer demonstration) on the benefits of direct lending which will be distributed to financial aid officers, University Presidents, interest groups, Department officials and others. The video can be used to make presentations and speeches to student groups and other interested parties.

Getting Money for College Just Got Simpler... and More Affordable, Too.

Introducing the New Individual Education Account

You know the problems with college loans. They're a hassle to get. And you worry about how you're going to pay them back.

Well, there's something new that can help. It's the Individual Education Account, recently created by the President and the Congress. It's great for undergraduates and graduates, too. Here's how it works:

- *Borrowing for college is simpler.* You can get your loan directly through your college. No more confusion about where to go for a loan. No more red tape.

- *Loans are more affordable.* The new direct loan program lowers fees and interest rates for all types of college loans.

- *You pay back as you can.* You can tailor your repayment plan to match your ability to pay. That means you can start a business, do community service, or take other jobs you want without being burdened with a big, fixed debt early in your career.

- *Refinancing is available.* If you have more than one loan, an IEA can help you consolidate them and refinance in a way that makes more sense.

Sound good?
Then call your financial aid officer or 1-800-4FEDAID to get all the facts.

THE NEW INDIVIDUAL EDUCATION ACCOUNT
The better way to finance a college education.

William D. Ford Federal Direct Loan Program

Now, Uncle Sam Has a Way to Help Families and Students Afford College... *And Save Taxpayers Billions !*

Introducing New Individual Education Accounts

Finally, there's good news for families. And good news for taxpayers, too.

New Individual Education Accounts are here. Recently created by the President and the Congress, they make the American dream of an affordable college education a reality for many more young people and their families who thought it was beyond their financial reach. Here's how it works:

- *Borrowing for college is simpler.* Students get their loans directly though their colleges. No more confusion about where to go for loans. No more red tape.
- *Loans are more affordable.* The new direct loan program lowers fees and interest rates for all types of college loans.
- *Pay back as you can.* Students can tailor their repayment plan to match their ability to pay. That means they can start a business, do community service, or take other jobs without being burdened with a big, fixed debt early in their careers.
- *Refinancing is available.* If students have more than one loan, an IEA can help consolidate them and offer a refinancing plan that makes more sense.
- *Taxpayers come out winners, too.* With streamlined procedures, IEA's will save American taxpayers billions of dollars in unnecessary costs.

That *is* good news!

For more information, call your college financial aid officer or 1-800-4FEDAID.

DEPARTMENT OF EDUCATION · UNITED STATES OF AMERICA

THE NEW INDIVIDUAL EDUCATION ACCOUNT
The better way to finance a college education.

William D. Ford Federal Direct Loan Program
U.S. Department of Education

DRAFT

FOR RELEASE
k:\shared\nddrafts\yeadl.tl
Add Univ. of Calif. example

Contact: Jane Glickman (202) 401-1307
Stephanie Babyak (202) 401-2311

DIRECT LOANS WORK FOR STUDENTS, SCHOOLS AND TAXPAYERS

"Getting a student loan was easier than I ever imagined," says Marjorie Collins, a graduate student at Washington, D.C.'s American University (AU). She's a single mom, working full-time and attending a weekend master's program in public affairs.

"I made a last-minute decision to go back to school and was afraid I wouldn't be able to secure a loan in time to pay my tuition. And with my busy schedule, I also worried about the time it would take to find a lender and do the paperwork. But with direct lending, I only had to make one visit to the school's financial aid office and AU was able to process my loan and credit my account in a few days. It was a tremendous relief."

Students like Collins -- and financial aid administrators across the country -- are praising the new William D. Ford Federal Direct Loan Program, which allows students to borrow directly from the federal government through their schools instead of through banks and other third-party lenders.

Schools cite a number of benefits to direct lending: it's simple, with less paperwork, less money spent on staff overtime and phone calls to lenders, and much quicker turn-around time for loan processing; improved cash flow; and flexibility to structure the loan program to fit their particular needs and capabilities.

"The program is so much simpler than the FFEL (Federal Family Education Loan) program that we've completed awarding aid to 800 more students this year than we did at the same time last year," said a financial aid administrator at SUNY-Brockport just a few weeks into the program.

And at the University of Idaho, the financial aid director said, "The biggest joy of direct lending is having the money ready for the students when they expect to receive it. Our students have definitely been the beneficiaries of better service."

The University of Florida pointed to other administrative benefits: "...a happier, more in-control financial aid staff who are better able to meet their customers' needs and an overall cash flow improvement for the school."

These are just some of the comments from the 104 colleges, universities and trade schools participating in the first year of the direct loan program. Beginning July 1, the total number of schools in the program will climb to about 1,400, or 40 percent of total loan volume, as set by law. More than 2 million students are expected to receive direct loans next year.

Benefits for students were summed up by University of Michigan President James J. Duderstadt, "With one-stop shopping, students have been able to obtain their loans in precord time. By the end of the first month of school this year, there was a 43 percent increase over 1993 in loans originated and funds disbursed to students." In addition to having loan money earlier in the school term to pay for books and other up-front expenses, flexible repayment options give student borrowers more control over their finances and career choices.

Students also report that they borrow less because it is now so easy and simple to obtain additional funds if needed compared to the hassle under the FFEL program.

Borrowers with direct loans can open an Individual Education Account (IEA), giving them the option to repay their loan in one of four ways -- and to switch repayment plans as their financial situations change.

The four repayment options are:

- o **Pay-as-you-can or income contingent plan** -- monthly payments are based on a percentage of annual income, family size and loan amount, with payments rising and falling as income fluctuates.

- o **Extended plan** -- monthly payments are a fixed amount over a period of 12 to 30 years, depending on loan amount.

-MORE-

- o **Graduated plan** -- payments are lower initially and then increase every two years over a period of 12 to 30 years.

- o **Standard plan** -- monthly payments are a fixed amount for up to 10 years.

Taxpayers also gain from direct lending. From the Student Loan Reform Act that created direct loans, the government expects to save an estimated $6.8 billion from FY 1995 to FY 2000 by eliminating unnecessary payments to lenders and taking advantage of the federal government's ability to borrow at a lower interest rate. The Administration's FY 1996 budget proposes speeding-up the phase-in of direct loans to 100 percent of loan volume by academic year 1998, for an additional $5.2 billion savings ($12 billion total savings).

"We are determined to take the expense and confusion out of how students finance and pay for higher education," said U.S. Secretary of Education Richard W. Riley. "We're determined to make the loan process simple, easy and efficient, and it's working. Both schools and students recognize that direct lending accomplishes these goals -- and saves billions of dollars at the same time."

Last month, the Education Department held a meeting in New Orleans to provide schools who will begin direct lending in the 1995-96 school year with training and technical assistance to get the program up and running smoothly. Campus officials from the 104 schools that began direct lending this year also attended, sharing their start-up experiences and describing its advantages. One benefit cited by many financial aid directors was the importance of being in control of their own programs and funds -- an impossibility in the guaranteed student loan program, which involves over 7,000 lenders, 42 guaranty agencies and more than 50 secondary markets. Assuming control of the loans, they said, means corrections and adjustments are easy to do and the whole process flows more smoothly.

The financial aid director at Ohio University in Athens put it this way: "Direct loans put the students back where they belong -- at the center of this business. Our purpose is to provide the best service possible and to deliver financial aid in a timely manner. Go direct loans!"

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Chronicle for Higher Ed.
Feb. 10, 1995

Student Fin. aid
loans?

group from campus space at West Virginia University.

Eric T. Blass, a member of the House of Delegates, announced last month that he would propose legislation to cut off funds for office space at the student union used by the Bisexual, Gay, and Lesbian Mountaineers. The bill would have converted the office to a day-care center. But Mr. Blass abandoned his proposal after he learned that the office was not large enough to be used for day care.

Mr. Blass said he still would prefer that the Mountaineers' office be opened to another group.

"It's not a mystery in Morgantown that I'm a conservative, Christian Republican and that I don't approve of homosexuality, and neither does the majority of the public," Mr. Blass said.

Gay students were angered by Mr. Blass's proposal. "We feel he was motivated by homophobia. He didn't single out any other group but ours," said Jeffery A. Hanlon, a senior.

Mr. Hanlon defended his group, saying it had demonstrated its importance to the campus community and hence continually received funds for office space.

Mr. Blass admitted his plan was controversial and it didn't have much of a chance of even getting to the floor of the Legislature for a vote. But he maintained the debate that followed had focused some attention on where taxpayer dollars were going and the need for day care at the university.

"Gays aren't too happy with me, judging from the messages I get," he said. "I might have gained some enemies but I opened up a dialogue. Taxpayer funds are better spent on students with small children."

■

President Clinton last week nominated Henry Foster, Jr., former acting president of Meharry Medical College, to be the next Surgeon General.

Dr. Foster, who became acting president of Meharry in 1993, left the position last year to become a health-policy fellow at the Association of Academic Health Centers.

Under Dr. Foster's leadership, Meharry started a program to delay sexual activity by teenagers by urging them to build up their job skills and self-esteem. Mr. Clinton's former Surgeon General, Joycelyn Elders, was criticized by conservatives for "promoting" sexuality when she advocated sex-education classes and the availability of condoms in schools. The President fired her last year.

Dr. Foster spent most of his career at Meharry. He was a professor and chairman of the obstetrics and gynecology department from 1973 to 1990. In 1990, he became Meharry's medical-school dean and vice-president for health services.

Gingrich's views on student aid worry private-college leaders

By Jim Zook

WASHINGTON

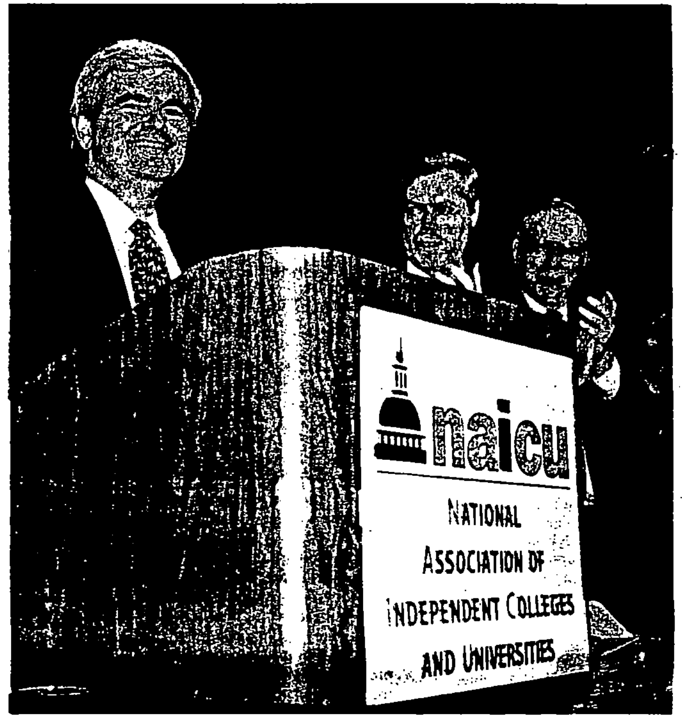
SPEAKER OF THE HOUSE Newt Gingrich said last week that Pell Grant recipients should have to work for their awards, which are the primary source of federal support for low-income students.

Recipients should have to "do more than breathe," he said in a speech to the annual meeting here of the National Association of Independent Colleges and Universities.

He also called for an end to the government's new direct-lending program, in which students receive the loans directly from their colleges, not from banks.

While the comments on Pell Grants angered many of the college presidents, Mr. Gingrich impressed them—to the point that they gave him a standing ovation—by stating his willingness to back legislation to abolish new state oversight bodies for colleges and trade schools that receive federal funds.

He also backtracked a bit on his comments about student aid when college presidents told him how much their students already work—even though there is no such requirement attached to Pell Grants.



SAM KITTNER FOR THE CHRONICLE

Speaker Newt Gingrich: Pell Grant recipients should have to "do more than breathe."

DENOUNCING BUREAUCRACY

In his speech, the Speaker repeated several of the complaints that conservative politicians have had about colleges in recent years. He bemoaned the need for remedial education at the college level. And to disapproving murmurs from the audience, he speculated that higher-education inflation exceeded health-care inflation.

But Mr. Gingrich won points from many of his listeners when he denounced government bureaucracy. College presidents, particularly those running private institutions, have been increasingly upset by the federal regulations with which they must comply.

The Speaker said he sympathized with such complaints and called the U.S. Department of Education "the federal Department of Homework Checkers."

Mr. Gingrich then said he would consider legislation to kill the controversial State Postsecondary Review Entities, known as SPRES. Congress created those state bodies in 1992 to oversee colleges and trade schools.

"If you think that your friends in the public universities wouldn't miss them, I'd be willing to bring it up and put it into suspension legislation," Mr. Gingrich said, sending the gathering into a long standing ovation.

The SPRE program was created with bipartisan support as a means of preventing the abuse of federal-aid programs by unscrupulous institutions. Among the leading figures behind its development was Rep. Bill Goodling, a Pennsylvania Republican who now heads the House Economic and Educational Opportunities Committee.

Mr. Gingrich's remarks on student aid in particular were free-ranging, and several in his audience said they thought he had come away knowing more about student aid than he did when he arrived.

Initially, Mr. Gingrich signaled a desire to shift grant funds to work-study programs, saying that students should not just receive unrestricted awards. Citing his own experiences in paying his way through Emory University, he said that working cultivated a stronger work ethic and a deeper commitment to one's education.

"If you said to some students, 'We'd be delighted to give you some amount of money if you do some work on campus,' what's wrong with that?" he asked.

A MORE CONCILIATORY TONE

He tempered that position later, during a question-and-answer session. Julianne Still Thrift, president of Salem College in North Carolina, told Mr. Gingrich that every grant recipient at her college already works as much as 20 hours a week.

When the Speaker then suggested that Salem could be held up as a "model program" for other colleges, many presidents in the audience interrupted, saying that their colleges already have similar requirements. Mr. Gingrich struck a more conciliatory tone, indicating a willingness to talk at greater length about how students and families pay for college.

"I want to look at loans, having people do some work, and grants," Mr. Gingrich said. "If you have limited choices, it's for people to say, 'We want you to do something for the money to help you get through college.' "

Several presidents took Mr. Gingrich's limited understanding of student-aid issues as emblematic of a shortcoming in higher education.

OPPOSED TO DIRECT LENDING

"That is at least 50 per cent our fault," said Sister Mary Andrew Matesich, president of Ohio Dominican College and a leading defender among college presidents of federal student-aid programs. "We have not done a very good job helping members of Congress understand these programs. Unless they happen to be on one of the education committees or on appropriations, we can't expect them to understand."

One program to which Mr. Gingrich said he was "unalterably opposed" is direct lending.

"The federal government, which has failed miserably in almost everything that it has done, will in the end do to direct lending what it's done to public housing," Mr. Gingrich told the presidents. "Your successors will find it a nightmare." ■

Stanley N. Katz, president of the American Council of Learned Societies: "We do a lot of things that are not easy to sell because they do not provide instant gratification. But in the long run, people will be grateful that our fundamental mission includes preserving brittle books and producing scholarly editions.

"These may not be sexy things, but in 100 years or 500 years, people will be extremely grateful we did them."

Humanities lobbyists say that the outcome of this debate is crucial to saving the agency.

The N.E.H., which is to receive $177-million this year, is the country's single largest provider of money for the study of humanities. But since the Republican takeover of Congress in January, the endowment has been a prime target of lawmakers searching for ways to cut the size of the government.

Advocates of the endowment do not want to squabble in public. They say they have tried to present a "balanced" view of the agency by stressing both its public and its research missions.

STRONG FORCES ON BOTH SIDES

"There are two sides of the endowment—primary research and scholarship, and the dissemination of these ideas to the larger public," says Page Putnam Miller, director of the National Coordinating Committee for the Promotion of History. "They are both crucial."

But humanities lobbyists privately say that there are strong forces on both sides of that balance who would like the lobbying effort to tilt in their direction.

The N.E.H.'s sister agency, the National Endowment for the Arts, has attempted to impress lawmakers with the good that it does across the country.

At a recent hearing by the Senate committee in charge of reauthorizing the arts and humanities endowments, the N.E.A. chairwoman, Jane Alexander, stated, "The arts endowment is not a subsidy for the elite. It's for folks I met from Tacoma to Canton to Council Bluffs to Chattanooga and to Charleston—ordinary people trying to make a better life."

Many members of the Senate committee praised the N.E.A. for programs produced in their states.

MIMI LEVINE FOR THE CHRONICLE

Jamil Zainaldin: "We need to get the public to better understand why what we do is important to them."

Similarly, some Republican lawmakers have praised programs supported by the state humanities councils that are supported by the N.E.H.

For example, Rep. Barbara F. Vucanovich, a Nevada Republican, praised "chautauquas" held in her state and said that she [illegible] replacing it [illegible] states. "The Republicans like to talk about block grants to the states. But the states are beleaguered, and if they were to get a block grant that is not earmarked for supporting the humanities, we will fall through the cracks," says Arnita Jones, acting executive director of the Organization of American Historians.

Therefore, she says, supporters of the N.E.H. must argue that the research supported by the federal [illegible] says.

But Mr. Zainaldin says the lobbying efforts must recognize that the N.E.H. is in real danger.

"Arguing for scholarship in terms of public benefit may not make a professor sitting in a history department happy," he says. "But we're fighting for the agency, and I believe the most effective way to do that is to show why the N.E.H. is important to people across the country." ■

Chronicle of Higher Ed. Feb. 10, 1995 Vol. XLI, # 22

Poll Shows Americans Overwhelmingly Back Federal Support for Student Aid

By Jim Zook

WASHINGTON

IN A NEW POLL, an overwhelming majority of Americans placed only Social Security ahead of support for student aid in a list of priorities for the federal government.

The Alliance to Save Student Aid, which represents more than 30 higher-education associations, sponsored the poll of 1,000 people and announced the results last week. Sixty-eight per cent of the respondents said they wanted to "maintain federal funding for student aid programs, even if it prolongs deficit reduction efforts."

"Eighty-six per cent of the people said that that government money is well spent," said Thomas H. Kean, president of Drew University and a former Republican Governor of New Jersey. "How much government money do people think is well spent?"

The poll was conducted by the research unit of Robinson Lake Sawyer Miller, a Washington communications company hired by the alliance to design a public-relations campaign.

The American Council on Education and the National Association of Independent Colleges and Universities led the creation of the alliance, which will try to head off a threatened multi-billion-dollar cut in federal student aid proposed by Republicans in Congress.

At the moment, the top priority for the alliance is fighting a Republican proposal in the House of Representatives to eliminate the interest subsidy on federal student loans while the borrowers are enrolled in college. At a press conference last week, the alliance presented three student borrowers to talk about their views.

One was Patricia Simmons, a nursing student at the University of Maryland at Baltimore. Ms. Simmons, a single mother of three teen-agers, said that the loss of the subsidy would drive up her monthly payment from $265 to $315.

TELEPHONE 'HOTLINE'

"Fifty dollars a month doesn't sound like a lot to some people, but it is a lot to me," she said.

The poll was one of several efforts organized by the alliance to heighten public awareness of the threat to student-aid programs. For example, the alliance has set up a telephone "hotline" that patches callers through to the office of their Congressional representatives. For a fee of $3.65, the call will automatically send to the Congressional office a facsimile supporting a continued and increased federal commitment to student aid.

Other grassroots efforts are also under way. The United States Student Association is coordinating a series of campus demonstrations. During the annual meeting of the National Association of Independent Colleges and Universities in Washington last week, several hundred college presidents fanned out to lobby their representatives. The association's president, David L. Warren, told his members that he envisioned the possibility of paying for television advertising on student aid during the "Final Four" college-basketball championship weekend in early April.

There was one notable absence in the alliance. The American Association of State Colleges and Universities contributed $10,000 to the effort but is not a signatory of it. The association's president, James B. Appleberry, said his staff felt that its time would be better spent pursuing its own public-policy agenda. Mr. Appleberry said the association had felt no pressure from Republican state officials or campus trustees to avoid public opposition to the G.O.P.'s "Contract with America."

Nevertheless, the dynamics of local politics have already affected involvement in the activities of the alliance on at least one campus.

Three weeks ago, the House Budget Committee opened a series of five meetings in search of ideas for cutting costs. The first hearing was held at Ohio Dominican College in Columbus, the home town of the committee's chairman, Rep. John Kasich, who had long called for elimination of the student-loan interest subsidy.

INVITATION DECLINED

One of the first alliance events was a rally before the hearing. Among those who declined an invitation to speak at the rally was E. Gordon Gee, president of the Ohio State University. Malcolm S. Baroway, a spokesman for the university, said that both he and Mr. Gee believed that such a speech would be counterproductive.

"Ohio State felt that it could be more effective in helping the financial-aid situation by not opposing something publicly in the back yard of the Congressman leading the hearing two days later," Mr. Baroway said. "There are times that you do things publicly, and other times that you don't."

At the private-college meeting here last week, most officials said they were pleased with the alliance's efforts.

Bob R. Agee, president of Oklahoma Baptist University, said the campaign was needed because "there is an appalling lack of awareness of the financial-aid programs out there."

Jim Snyder contributed to this article.

Higher Education and the Next Turns on the Data Highway

BY SHELDON ELLIOT STEINBACH

The higher education community cannot afford to remain on the sidelines with the collapse of efforts at the end of the 103rd Congress to bring federal telecommunications policy into the 21st century.

A *Chronicle of Higher Education* article (October 5, 1994) spelled out the price colleges and universities are likely to pay with the demise of telecommunications legislation. "For higher education," it noted recently, "the death of the bill is expected to mean that telecommunications companies may delay the investments needed to develop the so-called National Information Infrastructure [NII]. In addition, the competition spurred by the package of reforms was expected to provide better local telephone service at lower rates."

The impact, however, goes much further. The failure of the legislation means that federal telecommunications policy will remain a roadblock to competition for many who were looking forward to reaping the benefits of the information age as soon as possible. The existing policy framework, established by the 1934 Communications Act, is outmoded. It was designed for the copper wire age and has been updated in a haphazard fashion.

One group that will feel the impact is the many colleges and universities that have yet to tap into the information revolution. As Steven Gilbert, director of technology projects for the American Association for Higher Education, observed:

- in 1993, fewer than half of all U.S. faculty members had easy access to computers.
- the average time available to U.S. undergraduates for personal computer use is only a few hours a week per student.
- the vast majority of colleges and universities have not developed financial plans that include continuing capital investment and operating expenditures adequate to support the frequent and routine use of information technology by students and faculty members.

The telecommunications policy status quo will, in several ways, work against these schools' becoming full participants in the information age at any point soon. Continued higher costs will be an obstacle. So will the lack of incentives for telecommunications providers to seek out colleges and universities as new markets. The status quo will also keep them from sharing in the goal of connecting all schools and libraries to the NII.

Those schools that are part of the information revolution will also be affected, although not as greatly. The status quo will impede their ability to expand distance learning and integrate information technology more fully into teaching and learning. As a result of out-dated regulation, these schools face coordination hurdles from having to deal with multiple vendors. They also will be hurt by the slowdown in building and expanding the data highway and creating a competitive price climate. All of this makes it even more important for higher education that Congress renew its effort next year to enact a truly forward-looking telecommunications bill.

What should the higher education community do to assure that its needs will be met? Following are several suggestions.

- First, higher education institutions and their associations should conduct an assessment of their information technology needs. That is a prerequisite if schools are to fulfill their teaching, learning, and scholarship responsibilities. Colleges and universities need to be able to harness the full capabilities of information technology and they need to know what they require in order to do that.

Needs should be established broadly to include rural schools, smaller institutions, and less affluent schools. In addition, institutions should view their needs over a 5- to 10-year time frame, which is essential for adopting a forward-looking perspective.

- Second, colleges and universities should focus on how to meet their information technology needs in an era of tight budgets. This makes it imperative that information technology be affordable and easily accessible.
- Third, the higher education community should define the type of federal telecommunications policy needed to help achieve its information technology goals. Higher education needs a new policy that is visionary, sets a clear direction, fosters innovation and full competition, and makes telecommunications services broadly available at affordable prices. The new policy also should encourage investment in expanding the "digital infrastructure" and creating an open marketplace as soon as possible.
- Lastly, higher education should be more involved at both the congressional and administration levels in achieving these policy goals. Other constituencies, such as the disability community, have been involved in telecommunications legislation to good effect. Before the 104th Congress gets under way, colleges and universities should take steps to assure that the legislation that is drafted, considered, and passed will meet their needs.

In the end, the community will be able to create the environment that will make all of its members full participants in the information age only by moving from the sidelines to the playing field.

Sheldon Elliot Steinbach is vice president and general counsel of the American Council on Education. The author retains the copyright for this article.

access and quality of higher education."

Mr. Riley defended President Clinton's direct-lending program and said it would be a mistake for Congress to pass legislation, recently introduced by Republican leaders, to cap the program at 40 per cent of the total volume of student loans.

nancial aid to working American families in the history of the country," Mr. Riley said.

Mr. Riley also defended the "Goals 2000: Educate America Act," which set out national goals for improving education at all levels. He said it was a "driving force" behind efforts to raise standards in elementary and secondary

of education officials. The goals panel, a group of federal and state officials who assess the progress of education reform, had asked the group to help in the initial stages of developing a review process for evaluating elementary and secondary education.

"Excellence in education depends on both institutions," P. Mi-

Administration to Propose Major Changes in Indirect Costs

By Colleen Cordes

WASHINGTON

THE Clinton Administration plans to propose dramatic changes this week in the way the government pays universities for the overhead costs of federally supported research.

In general, the proposals would reduce the wide variation in rates from one university to another. With more uniformity, reimbursements to an individual university could be based less on its own actual costs than on the average costs for those items at similar institutions.

Overhead-rate experts predicted that the changes over all would reduce the government's bill and simplify the process of calculating the rates. They also said the changes might well result in universities themselves paying for more of the cost of research.

RATES ARE NEGOTIATED

Universities receive overhead payments totaling millions of dollars annually to cover research costs that cannot be directly calculated for each individual research project. The payments cover the costs of facilities and utilities related to research, for example.

Institutions are paid through overhead rates, which are negotiated with federal officials. A rate of 60 per cent means that for every dollar an institution receives for the costs that can be directly calculated for a research project, it can receive no more than 60 cents for overhead.

The White House has released a summary of the Administration's plan for overhead rates, which will be formally proposed in the *Federal Register* this week. Most of the proposals could be enacted after a 60-day comment period.

Some of the proposed revisions are:

- Changing the way universities are reimbursed for interest charges on the money they borrow to finance construction. For example, universities would have to show that they were not charging the government more in any year for interest and depreciation on facilities than they had paid that year on interest and principal.

Overhead-rate experts said the changes might well result in universities themselves paying for more of the cost of research.

- Fixing the overhead rate that the government will pay over the life of a grant at whatever the rate was in the year the award was made. Under current policy, some federal agencies allow adjustments if a university negotiates a change in its overall rate during the life of a multi-year grant.
- Prohibiting universities from charging the government, after fiscal 1997, for a share of the cost of tuition benefits offered to dependents of researchers.
- Prohibiting universities from using "special studies" to calculate the part of the costs of utilities, libraries, or student services that should be included in overhead charges. Such studies have been controversial because their use has resulted in a wide range of charges at different universities for the items in question.

University representatives said that some of the proposals were reasonable, but that others could create inequities. An an example of the latter, they pointed to the idea of barring universities from using special studies to calculate their utility charges for research. That, they said, would be unfair because the government has not yet devised a substitute method that reasonably approximates the institutions' actual expenses.

Some university officials applauded a proposal that would not save anyone money, but would change the language used to discuss overhead rates. Historically, the government has divided research costs into "direct" costs and "indirect" costs, with the overhead payments covering the latter category.

These terms have been "needlessly complicated and poorly understood," according to the summary released by the White House. The Administration wants to drop those terms and define three new categories of costs: research activities, research facilities, and research administration. Research activities would be the direct costs included in a federal grant. What used to be called "indirect costs" would be divided between the other two categories.

The Administration also plans to propose several ideas for further study, rather than immediate action. These include:

- Developing benchmarks for reimbursing universities for the costs of building and renovating research facilities. One possibility is to base such benchmarks on variables such as geographic location or type of research conducted, and then requiring universities that want to charge the government rates that exceed the benchmarks to undergo a special review.
- Developing benchmarks for utility costs that are charged to the government.
- Revising the use allowance that universities receive for the wear and tear on their scientific equipment. At present, it takes 15 years to recover the full cost of equipment. ■

Military recruiting. The De[...] Defense has issued an interi[...] law passed last year denying[...] colleges that do not allow mi[...] cruiting on their campuses. [...] Mark Herbst, Director of Re[...] 3080 Defense Pentagon, Wa[...] 20301-3080. Comments mus[...] by March 27 (*Federal Regis*[...] 24, Pages 4,544-5).

Upward Bound. The Depar[...] ucation has issued final rule[...] the Upward Bound Progran[...] *Register*, January 24, Pages [...]

New Bills in Congres[...]

Copies of bills may be ob[...] Representatives (Washing[...] Senators (Washington 205[...]

HOUSE OF REPRESENTATIV[...]

Arts and humanities. HR 5[...] abolish the National Endow[...] Arts and the National Coun[...] Humanities. By Representa[...] (R-Colo.) and two others.

Biomedical research. HR 5[...] thorize a new program in w[...] tional Institutes of Health w[...] five research centers to stud[...] pause. By Representative S[...] Fla.).

Black colleges. HR 268 wo[...] the definition of historically[...] leges for the purposes of pa[...] various federal programs. C[...] founded after 1964 could re[...] designation if they have a p[...] sion of educating black stud[...] located in states without an[...] leges under the current defi[...] Representative Jacobs (D-I[...]

Direct lending. HR 530 wo[...] Direct Student Loan Progra[...] cluding more than 40 per ce[...] federal student-loan volum[...] sentative Goodling (R-Pa.) [...] others.

Hispanic students. HR 366 [...] colleges that educate large [...] Hispanic students the same [...] from student-loan default r[...] that historically black colle[...] By Representative Serrano [...]

Law schools. HR 610 woul[...] uates of state-accredited la[...] that are not accredited by th[...] Bar Association to take the [...] tion in states other than the [...] they graduated from law sc[...] Representative Meehan (D-[...]

Non-profit organizations. [...] increase the penalties for m[...] tax-exempt organizations w[...] "self-dealing," which is ab[...] position to make improper [...] Representative Menendez ([...]

Taxes. HR 157 would resto[...] breaks for scholarships and [...] that were eliminated in 198[...] tax deductions for interest [...] loans. By Representative S[...] N.Y.).

Vocational education. HR [...] shift federal audits of vocat[...] tions from every year to ev[...] years. By Representative F[...] Mass.).

SENATE

Library of Congress. S 260 [...] thorize the Library of Cong[...] pose fines for overdue book[...] tor McCain (R-Ariz.).

Patents. S 284 would requ[...]

Chronicle of Higher Education 2-10-95

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

DATE: January 23, 1995

TO: Gene Sperling
✓Bill Galston
Paul Diamond

FROM: Leo Kornfeld
Senior Adviser to the Secretary

SUBJECT: Actions Planned

As per our recent meeting, I have prepared this memo as response to your request for planned action steps to publicize the success of the Direct Loan program and respond to the challenge of the Goodling bill.

ACTIONS TO ENGAGE THE 1495 DIRECT LOAN SCHOOLS

At this point we should consider all 1,495 schools to be supportive of the Direct Loan program. In this light we are presently proceeding with the following actions that are designed to "activate" the existing school base and the various communities they are part of. I believe that it is important to have the schools that have freely chosen to be part of the second year to be sharing their reasons and support of the program with their local leaders, students, campuses and communities.

The following are a variety of activities that staff are currently coordinating and executing:

1. We will send a letter and "Public Relations" packet to each of the 1,495 schools. A letter will be tailored to address the unique perspectives of the top officials at each institution. The President, Chief Financial Officer, and the Financial Aid Officer as well as any other individual deemed to be an integral part of the schools Direct Loan operations.

    - The P.R. packet will contain material that has been used on other campuses that have undertaken comprehensive outreach efforts with their respective communities.

2. Secretary Riley will send a letter to the President of each of the 1,495 schools giving each of them an update on the health of the program. This letter will be designed to reassure their belief in the program and to convey a continued spirit of enthusiasm for the initiative.

- We are presently preparing a packet to provide to Presidents at the ACE 77th Annual President's Conference in San Francisco addressing misconceptions and including positive comments from first year schools. We may include some of these documents as well as the recent extremely positive article from the Chronicle for Higher Education.

3. In coordination with the office of Legislative Affairs we are developing material that will:

   a. outline the many positive aspects of the program associated with the Direct Loan program;

   b. clarify the reasons why we are proceeding with a streamlining of the existing Guarantee Agency system by consolidating and eliminating major portions of the present structure;

   c. develop material for the members of Congress who have requested information to share with their colleagues about the details of the program.

4. The General Counsel's office is reviewing H.R. 530, the legislation introduced by Congressman Goodling, to measure the impact on the existing structure of the program as well as how it intends to alter the elements of competition between the existing FFELP and Direct Loan programs.

5. The Department's Budget office is attempting to cost out the impact of the legislation to measure the change it will have on the deficit and the loss of anticipated savings resulting from the legislative changes.

6. Senator Simon's office is planning to lay out the costs associated with the existing loan program and to outline a response to the argument that switching to the Direct Loan program is a switch to big government. He intends to show that the existing program is a series of government subsidies and contracts with the private sector. He will then show that the Direct Loan program is actually a centralization of the contracting process and simply switches the government relationship from the banking industry to the computer servicing industry.

ACTIONS TO SELECT ADDITIONAL SCHOOLS INTO THE DIRECT LOAN PROGRAM

We expect to make the first announcement of 1996-97 schools selected to participate in Direct Loans early February. This list will include about 500 schools and we are now calculating the percentage of total loan volume they represent. It appears that this announcement should bring us close to 50%.

After the February announcement, we expect to make additional announcements every two months, depending on the number of applications received or the number of key schools that apply. We are planning a major campaign to attract additional applicants by mail and visits to institutions.

ACTIONS REGARDING DIRECT CONSOLIDATION LOAN PROGRAM

A draft plan for implementation of the Direct Consolidation Loan Program is being forwarded to you later today, under separate cover.

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

DATE: January 23, 1995

TO: Addressees

FROM: Leo Kornfeld
Senior Adviser to the Secretary

Please review this draft plan on the Direct Consolidation Loan Program. Could we meet on Monday, January 30 to discuss.

Thanks.

Addressees:
Gene Sperling
Bill Galston ✓
Paul Diamond

Attachment

DRAFT

Federal Direct Consolidation Loan Program Roll-Out Plan

This document sets forth the proposed plan for rolling out the Federal Direct Consolidation Loan Program and specifically discusses the following:

1. Legislative Authority for the Federal Direct Consolidation Loan Program
2. Benefits to Borrowers
3. Benefits to Taxpayers
4. Consolidation Test Project
5. Implementation Process
6. Consolidation of Single FFELP Loans
7. Access
8. Timing
9. Savings

Kornfeld/cdb
January 23, 1995

A PLAN FOR IMPLEMENTATION OF THE FEDERAL DIRECT CONSOLIDATION LOAN PROGRAM

The plan has been prepared in response to the President's announcement that the Secretary should submit to him by the end of January, 1995 a plan for implementation of the Direct Loan Consolidation Program.

1. Legislative Authority for the Federal Direct Consolidation Loan Program

In the 1993 Omnibus Budget Reconciliation Act, Congress expressly provided that, in certain circumstances, borrowers would be permitted to consolidate Federal Family Education Loan Program (FFELP) loans currently in repayment into the Federal Direct Consolidation Loan Program. In new section 428C(b)(5) added to the Higher Education Act, Congress provided that if "...a borrower is unable to obtain a consolidation loan from [his/her] lender" or if the borrower "...is unable to obtain a consolidation loan with income-sensitive repayment terms acceptable to the borrower from [his/her] lender,..." the Secretary "...shall offer any such borrower who applies for it , a Direct Consolidation Loan." Thus, a borrower who satisfies either of the two conditions can obtain a Direct Consolidation Loan.

That same section goes on to provide that a borrower who applies for a Direct Consolidation Loan may repay it "...as requested by the borrower...either pursuant to income contingent repayment...or pursuant to any other repayment provision under this section."

In summary, Congress allowed an FFELP borrower to consolidate his/her FFEL debt (as well as other Federal educational loan debts) into a Direct Consolidation Loan if the borrower could not obtain a consolidation loan or a consolidation loan with income-sensitive repayment terms, acceptable to the borrower, from his/her lender. This plan describes a measured way for the Secretary to implement this Congressional design.

The current outstanding FFELP loan portfolio is approximately $60 billion representing some 20 million borrowers. These loans are held primarily by lenders and secondary markets; loans in default are held by guaranty agencies and the Department.

2. Benefits to Borrowers

Direct loan consolidation provides important benefits to borrowers in repayment. (1) Borrowers can choose from a variety of repayment options, including the income-contingent, or pay-as-you-can option. (2) Borrowers thus have the opportunity to lower their monthly payments and adjust the repayment of their student loans to meet their current financial and personal needs. This includes, for example, borrowers with families, borrowers starting new businesses, and borrowers who decide to do community work. All can benefit from these repayment options. (3) In this way, direct loan consolidation gives borrowers flexibility and more control over their lives, by allowing them to select the repayment method that best fits their personal situation. Just as borrowers may choose to lower their monthly payment, borrowers may also change repayment options and repay their loans more quickly, if they choose to do so. (4) In addition, borrowers who are dissatisfied with the service they are receiving from their lenders will have the option of moving to another loan servicer. As a result, direct loan consolidation should encourage better servicing of student loans by all lenders and loan servicers.

At the same time, the choice is in the hands of the borrower. No borrower in repayment is required to seek a Direct Consolidation Loan. Direct Consolidation Loans are all about choice, options, and competition.

3. Benefits to Taxpayers

The Direct Consolidation Loan Program is designed to convert outstanding loans into Direct Loans. Direct Loans utilize Federal Funds at the Governments borrowing rate. As a result of this change, the net savings of the loan program would be approximately $420 million for every 1 million consolidations. If consolidations occurred at the rate of 1 million per year over the next five years, the net savings would amount to as much as $2 billion dollars.

4. Consolidation Test Project

As a result of the publicity generated following the President's October 1994 press conference and a few articles in the press, the Department received approximately 100,000 inquiries about the Direct Consolidation Loan Program. The Department has selected the first 35,000 of these inquiries for a consolidation test.

DRAFT

The purpose of this test is to determine:

- the understanding of the information and forms which were mailed
- the type, size, and age of loans being consolidated
- the effectiveness of the computer system

Based on the information obtained from this test, we will revise and improve the material and processes, as appropriate, to insure effective implementation.

These first 35,000 inquirers were sent a brochure that described the Direct Consolidation Loan Program and the Individual Education Account (IEA) repayment options available under it. The brochure included a tear-off coupon that requested information about the borrowers' outstanding loans. Interested borrowers were told to complete the coupon and return it to the Direct Loan Servicing Center. As of January 16, over 14,000 of the 35,000 inquirers who were sent the brochure have returned the coupon with loan information.

When received at the Servicing Center, estimated monthly repayment amounts are calculated under the various IEA options for each borrower. That information, along with an application for consolidation and other information, is mailed back to the borrower.

Those borrowers who are seriously considering consolidation are instructed to complete the application form and return it to the Servicing Center. They are also given a toll-free number to call if they wish to speak to a counselor who can assist them in making their decision about consolidation under the Direct Loan Program.

When applications are received, the loan holders are contacted to determine the exact payoff amount, payoff checks are generated and mailed, the note is processed, and the Direct Consolidation Loan is entered into the Direct Loan Origination subsystem. Once the loan is booked, it is forwarded into the Loan Servicing system where it joins the stream of all other loans in terms of communications, bills, and payment processing.

As of January 16, 55 persons completed the process and their loans are now being consolidated. Furthermore, these 55 persons were called by the Department and they indicated that the material they received provided them with the necessary information needed to make their decision.

5. Implementation Process

The Department is recommending a phased-in approach, with our goal to consolidate no more than the loans of 1 million persons (approximately 5 percent of those in repayment) in the first calendar year. We plan to achieve this through a controlled public information campaign consisting of 4-6 information announcements placed in major newspapers in key cities plus public service announcements (PSA). The cities in which the announcements will run will be selected based on estimates of loans in repayment in a State. They will be scattered throughout the country and the Department will adjust its public information campaign based on the level of responses received.

After an assessment of the test materials and procedures, the Department will make all necessary revisions in preparation for rolling-out the Direct Consolidation Program. Specifically, the Department is planning the following steps:

1. Send informational brochures to all inquirers beyond the initial 35,000;

2. Send application forms and other material to those persons who respond to this information;

3. Assess the impact of the controlled information campaign and adjust the approach, as appropriate;

4. Reassess the operation of the Direct Consolidation Loan Program after 6 months. Based on that review, make any appropriate modifications and revisions to the program.

5. Develop a 5-year plan based on the results of the 6-month review.

If the Department is overwhelmed with requests after its initial information campaign, it is prepared to handle additional volume after a three month delay to gear up. If such a delay is necessary, the inquirers will be notified and provided with a new response date.

This low-key, considered approach will allow the Department to implement the Direct Consolidation Loan Program while gathering the necessary information for assessing its efforts and making modifications as necessary. The Department will track the results as follows:

- Number of Inquirers
- Number of Inquirers who follow-up with loan information
- Number of Inquirers who actually submit consolidation loan application forms
- Number of loan consolidations completed and volume of loans
- Distribution by type of loans and dollar amounts of loans consolidated
- Distribution of consolidation borrowers by income
- Time required for process
- Number and types of questions raised by inquirers
- Appropriateness of communication and forms

One area to which the Department will pay special attention is the certification on the Direct Consolidation Loan Program Promissory Note. The borrower certifies that he or she has contacted his or her lender and was either unable to obtain a consolidation loan or was unable to get acceptable income sensitive terms on the consolidation loan. Some concern has been expressed that the Department has not made that requirement visible enough and this 6-month period will provide the opportunity to ensure that this certification is highlighted and to determine whether any type of validation is appropriate.

The Department will proceed carefully, as set forth above, and monitor its results. We will adjust our plans based on our actual experience.

6. Consolidation of Single FFELP Loans

The Department has the statutory and legal authority to consolidate single FFELP loans into the Direct Consolidation Loan Program. Some Congressional staff representing their members have taken the position that it was never Congress's intent to permit consolidation of single loans for the purpose of interest rate reduction.

In order to be responsive to the expressed concerns, the Department plans the following:

1). The Department will prepare, in writing, the legal rationale for the requirement that we must accommodate the borrower with a single loan that he/she wishes to be consolidated. This will be provided to the congressional staffers.

2). We will not encourage the consolidations of single FFELP loans into a direct consolidation loan with a 10-year repayment plan.

3). Single loan <u>borrowers</u> who request consolidation into a 10-year repayment plan will be counseled by the government contractor. They will be advised, as appropriate, to select another repayment option that may be more suitable for them.

3). If the borrower, however, insists on consolidation of his/her single loan into a 10-year repayment plan, we will accommodate the borrower.

Since most loans (both Direct and FFELP) are now at a variable rate, it is anticipated that the request for consolidation to reduce the interest rate will not include a significant number of borrowers.

7. Access

One of the major criticisms against the full implementation of the Direct Consolidation Loan Program is the concern that it will cause access problems for students still in the FFELP. The Department believe that this concern is unfounded.

The first priority of the transition from the FFELP to the Direct Loan Program is to ensure that every eligible student attending an eligible institution not yet participating in Direct Loans continues to be able to obtain a loan through FFELP. The Higher Education Act, however, does not impose any affirmative obligation on private lenders to make FFELP loans. Although the Act and the Secretary's agreements with the guaranty agencies do require the agencies to have lender-of-last resort (LLR) programs for their designated areas, most of the agencies do not have the legal authority, funding and/or operational capacity to make the loans themselves if they cannot find lenders to do so on their behalf. In fact, none of the LLR programs that has been approved by the Department to date provides for loans by the guaranty agencies themselves.

Congress anticipated the possibility of loan access problems during the transition, and the Student Loan Reform Act of 1993 enhanced the Department's tools to deal with that possibility. Although to date, the transition has seen only isolated loan access problems, there is a remote possibility that there could be systemic problems as a result of the substantial economic and structural changes taking place in the student loan programs, particularly the Direct Consolidation Loan Program.

Loan access problems could relate to particular schools or geographic areas or, in the most unlikely case, could be systemic. Those relating to particular schools have tended to arise from the unprofitability of the loans to schools with high default rates, and such loan access problems are likely to be small in magnitude. Those relating to particular areas would arise from a geographically uneven withdrawal of lenders as the lending community contracts during the transition; and such problems could be solved by lenders from other areas, since the loans themselves would likely still be marginally profitable to a lender that was otherwise in the business. The solution for a systemic problem would depend upon the excess operational capacity of the remaining lenders.

The tools available to the Secretary for loan access problems are the following:

- Jawboning
- Lender of Last Resort (Student Loan Marketing Association)
- Lender Referral Fees
- Federal Advance

Detailed description of each of these options are set forth below:

1. Jawboning. The Department has always pursued all reports of loan access problems that have come to its attention. In these cases we have ascertained the facts from the schools or students involved and then urged the pertinent guaranty agencies or lenders to make the loans.

2. Lender of Last Resort [Student Loan Marketing Association (SLMA)]. SLMA is legally obligated to act as Lender of Last Resort (LLR) in all geographical areas. The language of the pertinent statutory provision is different from that for the guaranty agencies. SLMA's legal responsibilities are reinforced by the Secretary's power to increase its offset fee of 0.3 percent of all loans held to 1.0 percent if it does not substantially comply with a request to make LLR loans. Last spring the Department negotiated with SLMA a comprehensive certificate of insurance for $200 million of LLR loans. The Department also recently arranged for SLMA to make unsubsidized Stafford loans in Texas, when the guaranty agency there was unable to arrange for the regular lenders to do so. The use of SLMA to solve access problems involves no added cost to the Government and will be the next option after jawboning.

3. Lender Referral Fee. The Secretary is authorized to enter into lender referral agreements with guaranty agencies for them to assist students in finding willing lenders. A fee of 0.5 percent of all resulting loans may be paid to the guaranty agencies for their services; contrary to the normal prohibition of fee-splitting, the agencies may share this fee with the lenders. Since this authority has never been used, it is uncertain whether some portion of this relatively small fee would be sufficient to cause a lender to make a loan otherwise viewed as not economic, and whether the Department could effectively prevent its use on loans that would have been made without it. The regular guaranty agency system would have to be used to distribute lender referral fees, because the Transitional Guaranty Agency (TGA) does not have existing lender relationships. Of all the available tools, the lender referral fee is the only one that would result in increased costs for the Government.

4. Federal Advances. The Secretary is authorized to advance funds to guaranty agencies for LLR loans. There is no statutory limit on this authority, although the funds would have to be apportioned by the Office of Management and Budget (OMB) before any advances could actually be made. The guaranty agency is to be paid a fee established by the Secretary for the service, presumably in lieu of any interest payments. Although the Secretary is not authorized to advance funds directly to other potential lenders, including SLMA, for this purpose, the guaranty agencies are free to pass on the Federal advances under similar arrangements. LLR advances would come from program funds, which are not limited in amount. The cost of the advances for budgetary purposes would probably be based on funding rates, guaranty agency fees, anticipated defaults and possibly internal administrative expenses, rather than the amounts of the advances themselves. Operationally, Federal advances could actually be made within a matter of days after authorization by the Secretary and apportionment by OMB. Since the guaranty agencies would be only a conduit in the process, the Department would use the Transitional Guaranty Agency (TGA) exclusively for this function. SLMA would be the first choice to make the LLR loans under this approach, but other secondary markets and banks might be needed in the event that the demand exceeded SLMA's operational capacity.

8. Timing

As soon as a roll-out plan is approved and the processes are operating effectively, the Department will begin implementing the Direct Consolidation Loan Program.

Kornfeld/cdb
January 23, 1995

It is anticipated that the implementation will be underway within 4-6 weeks after approval of the final plan and the processes are operational. As previously discussed, at the end of the first 6 months of full operation, the Department will assess the success and effectiveness of the effort and make whatever modifications may be necessary.

9. Savings

It is difficult to determine the interest in consolidation since this will be the initial effort in announcing the various IEA repayment options. As previously discussed, on the basis of cost estimates the net income to the federal government will increase by approximately $420 million dollars for every one million loan consolidations, or as much as $2 billion dollars over a five year period, if a million consolidations occurs each year.

It should be noted that the Direct Consolidation Loan Program, as in the case of the Direct Loan Program, will be operated by private firms under government contract, not by a large influx of Federal Employees. We anticipate that less that 5 additional FTE federal employees will be needed to implement this plan.

As the program expands, additional contractors will be selected through the standard government contracting system.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

March 29, 1995

MEMORANDUM

TO : Mark Gearan
Bill Galston
Gene Sperling
Paul Dimond

FROM : Frank S. Holleman III
Chief of Staff

SUBJECT: Direct Lending Articles

Attached are two recent articles regarding Direct Lending for your information.

Attachment

MILWAUKEE JOURNAL, March 10, 1995 p. 10
(Best Copy Available)

Direct student loans pay off

FOR THE SAKE of efficiency, government should take tasks out of the bungling hands of public bureaucrats and put them into the deft hands of private businesspeople, right? Wrong, at least when it comes to student loans.

Swimming against the privatization tide last year, President Clinton got the government into a realm previously reserved exclusively for banks. Thousands of college students can now borrow money directly from the feds. Previously they had no choice but to go to financial institutions, which got federal guarantees and sweeteners to make the loans.

The verdict on college campuses: "The best thing since microwavable brownies," according to a Colorado State University student quoted in US News & World Report. His is a typical reaction. It seems that government is running the loan program much more smoothly than are the banks. The money becomes available in weeks rather than months, campus loan officers report. What's more, direct lending promises to save the government millions.

But wouldn't you know? The banks are grousing. And their helpful Republican allies in Congress want to slow the phase-in of the direct-loan program. Clinton, wisely, wants to speed it up.

This case demonstrates that the better course sometimes is to de-privatize a function. Congress should set aside ideology and back up the president on this one.

CHICAGO SUN-TIMES, MARCH 29, 1995 p. 31
(Best Copy Available)

Direct Loan Program Is Good Deal for All

Under the guises of deficit reduction and reduced government, Republican forces in Congress are pressing for changes in student loan programs that would impose onerous new costs on college students and stall broader availability of direct loans, the plan sponsored by Sen. Paul Simon (D-Ill.) to eliminate middlemen.

Both proposals are without merit and should be "zeroed out," to swipe a phrase from the new congressional vocabulary.

Efforts to eliminate the federal subsidy of interest charges on student loans come at a time when rising college costs are forcing more students to borrow money to pay for their education. The American Council on Education reports that 6.6 million students took federal loans this year, up from 4.5 million in 1988. Meanwhile, the dollar amount increased from $11.8 billion to $25.8 billion. The government eases that burden by paying interest on loans while the student is in school. Without the subsidy, the debt of an undergraduate who takes out the maximum loan amount for four years would increase 20 percent, the ACE says.

These subsidies are costly—$2.2 billion this year—but they are based on sound public policy: providing access to higher education.

Elsewhere in Congress, moves are afoot to limit the direct loan program, which Simon sponsored to allow students to get loans directly from the federal government. The program, which is being phased in over five years, is strongly opposed by banks that have risk-free profits under government loan guarantees, and by the huge public-private agencies that administer the program and run profitable secondary loan markets. Having failed to block the original legislation, opponents now seek to limit direct loans to 40 percent of student loan volume, arguing that private enterprise works better than government.

Although we would like to see stronger guarantees that schools are not ripping off the direct loan program—as many for-profit trade schools did under the subsidized bank loan program—we believe the record of the direct loan program to date calls for its continued expansion. Students and participating schools, including the University of Illinois at Champaign-Urbana, report fewer hassles with direct loans.

More important, the program is expected to save money. The Clinton administration estimates $5.2 billion would be saved by 2000, if the direct loan program were fully implemented by the 1997-98 school year. That's a good deal for the schools and a good deal for the taxpayers. The program should continue on schedule.

3/24 mtg.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF LEGISLATION AND CONGRESSIONAL AFFAIRS

Date: 3/22/95 Fax #: 456-2878

Sent to: Bill Galston

Attention:

From: Tom Wolanin

Number of Pages (including cover sheet): 18

If there are any problems with this transmission, please contact me at: (202) 401-1028

GOALS 2000

COMMENTS:

ICL repayment reg.

600 INDEPENDENCE AVE., SW, ROOM 6337
WASHINGTON, D.C., 20202-3100
OFFICE NUMBER (202) 401-1028
FAX NUMBER (202) 401-1438

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF LEGISLATION AND CONGRESSIONAL AFFAIRS

MEMORANDUM 3/22/95

To: Bill Galston

From: Tom Wolanin TW

Re: Proposed revision of the direct loan income contingent repayment regulation

I talked to Barry White late yesterday. He said you were interested in seeing the analytic material on the proposed change in the income contingent repayment regulation ("Petri 9"). Attached are analytic tables and graphs that compare Petri 9 to the current regulation as well as my memorandum to the Secretary laying out the case for making the change.

The essence of the change is that Petri 9 is more progressive than the current regulation: borrowers with higher incomes pay more and borrowers with larger debts pay more. These effects can be seen most clearly by comparing the two look-up tables that are attached. However, as you can see from these tables and as is explained in the memo to the Secretary, except at high income and/or high debt levels these changes are relatively modest. Indeed, for moderate income borrowers with average debt levels, Petri 9 provides for lower monthly payments. It is also important to recall that no one is compelled to choose income-contingent repayment terms. A borrower with high income or high debt can choose other plans that result in lower monthly payments. See, for example, the chart titled "Comparison of ED and Petri 9 Repayment Plans Under ICR" for the borrowers with $50,000 income and $50,000 debt or $100,000 income and $100,000 debt, who could get lower monthly payments under a graduated or extended payment plan (albeit with a much longer repayment period).

I view this as a win/win situation. We will end up with a repayment regulation at least as good, if not better, than the current regulation, and we will have the enthusiastic support of Congressman Petri, which is a critical building block for preserving direct loans in the House.

Please let me know if you have any questions or comments.

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF LEGISLATION AND CONGRESSIONAL AFFAIRS

MEMORANDUM 3/21/95

To: The Secretary

From Tom Wolanin TW

RE: DOES THE SECRETARY AGREE THAT THE CURRENT INCOME CONTINGENT DIRECT LOAN REPAYMENT REGULATION SHOULD BE REVISED AS PROPOSED IN "PETRI 9" TO GARNER THE ACTIVE ADVOCACY OF CONGRESSMAN PETRI FOR DIRECT LOANS?

- In the Secretary's meeting with Congressman Petri it was agreed that the Secretary would consider modifications proposed by Congressman Petri to the current income contingent loan repayment regulation.

- "Petri 9" reflects a proposed change in the ICL repayment regulation that satisfies Congressman Petri.

- The purpose of this meeting is to seek the Secretary's approval for initiating the formal regulatory process for modifying the current income contingent loan repayment regulation to reflect Petri 9. This process would include appropriate consultation with the White House as well as the higher education community.

- Petri 9 in policy terms is acceptable and perhaps an improvement compared to the current regulation.

i. Petri 9 does not impose unacceptable new costs. It would increase costs by an estimated $185 m. over 5 years, an amount that OMB believes to be relatively easily absorbed into re-estimates of the direct loan program's overall costs.

ii. Petri 9 does not significantly increase the number of borrowers who are not paid in full after 25 years, 15.5% versus 15.3% under the current regulation. Indeed, for medium and high income borrowers, who represent 75% of borrowers, the percentage who repay in 25 years increases at all levels of borrowing.

iii. Petri 9 treats "Bill's kids" as well or better than the current regulation. For borrowers with incomes between $15,000 and $35,000 and average levels of debt ($10,000) Petri 9 has lower monthly repayments than the current regulation.

iv. For low-income ($0-26,938) borrowers with low levels of debt (less than $3,075), Petri 9 increases somewhat the percentage of these borrowers who will be affected by negative amortization - from 73.1% under the current regulation to 89.5%. For this group of borrowers (9.4% of all borrowers) this is not a real problem since this represents debt that will be forgiven. Overall the percentage of borrowers affected by negative amortization decreases from 53.1% under the current regulation to 47.5% under Petri 9.

v. Petri 9 also reflects the three principles that Petri believes are essential for an ICL repayment schedule: 1. that repayment rises proportional to income; 2. that repayment rises proportional to debt; and 3. that married couples have a shared responsibility for their debts. These principles also have merit from a general policy point of view.

- Senator Simon is supportive of revising the current regulation to accommodate Cong. Petri's concerns from both a policy and a political point of view.

- OMB is supportive of revising the current regulation.

- The downside risks appear to be two:

i. A few members of the higher education community may object to the new regulation on process grounds and on the merits. In terms of process, some members of the higher education community were deeply involved in developing the current regulation through negotiated rule making. They were not similarly involved in developing Petri 9. On the merits, a few higher education groups may express concern that some groups of borrowers are not treated as well under Petri 9 as they are under the current regulation.

ii. The press and our opponents on direct loans could charge that we made a "political deal" with Congressman Petri.

- Finally, it should be noted that Congressman Petri has a comprehensive plan for recasting the entire Federal student loan program. This plan, which Petri has been advocating in various forms for 15 years, includes 100% direct lending, encouragement of IRS collections, mandatory income contingent repayment for all borrowers, income contingent repayment terms as in Petri 9, elimination of the in-school interest subsidy and replacement of the in-school interest subsidy with lower interest rates during repayment for low-income borrowers. Obviously, the fact that Petri's plan and the Administration's policy can find some common ground (100% direct lending and Petri 9 repayment terms) does not imply our endorsement of the entire Petri plan.

Income-Contingent Repayment - Petri 9 Proposal

	Income/Debt Group	Percent of all Borrowers	Percent of all ICR Borrowers	Percent Within Group Taking ICR	Average Years in Repayment	Average Subsidy Rate Over 5 Years	Not Paid in Full: Percent of Borrowers	Not Paid in Full: Percent of Debt	Negative Amortization: Percent of Borrowers Affected	Negative Amortization: Average Years for Affected Borrowers	Percentage of Principal Repaid: Loans Forgiven	Percentage of Principal Repaid: Loans Paid in Full
Low Income	Group 1 Low Debt	9.4%	11.2%	19.1%	23.6	18.2%	47.4	5.6	89.5	9.0	169.6%	217.2%
	Group 2 Medium-High Debt	15.6%	21.3%	22.1%	22.9	15.7%	44.7	4.5	88.6	8.0	168.0%	216.1%
Medium Income	Group 3 Low Debt	11.2%	8.4%	12.2%	14.0	19.2%	2.5	0.1	32.1	2.6	174.6%	166.9%
	Group 4 Medium Debt	25.2%	24.3%	15.6%	14.2	17.3%	0.8	0.1	31.2	2.0	203.0%	168.9%
	Group 5 High Debt	13.6%	15.9%	18.9%	14.2	18.6%	1.2	0.2	37.8	3.1	200.5%	170.1%
High Income	Group 6 Low-Medium Debt	17.5%	12.0%	11.2%	9.7	17.0%	0.0	0.0	9.5	1.2	N/A	145.2%
	Group 7 High Debt	7.5%	6.8%	14.7%	11.1	18.5%	0.9	0.1	17.4	2.8	113.2%	150.5%
	Total	100.0%	100.0%	16.2%	16.3	16.6%	15.5	1.7	47.5	6.0	181.6%	174.0%

- ICR payments are the lesser of:
  - a payment based on a 12-year amortization of the borrower's--and if appropriate, the borrower's spouse's--highest debt level multiplied by a predetermined progressivity factor.
  - 20 percent of the borrower's discretionary income (defined as modified adjusted gross family income minus the income tax filing threshold).
- Progressivity factors vary from 50.5 percent to 200 percent and are assigned based on a borrower's income and tax filing status. Progressivity factor varies from 55 percent to 100 percent for singles.
- Negatively amortized interest is capitalized on an annual basis.
- Borrowers pay their calculated payments at all levels. There is no minimum payment or waiver of payments below a certain level.
- Interest on all loans is accrued and capitalized up to 110% of the borrower's original repayment balance. At that point, interest is accrued but not capitalized.

Assumptions:
Probability of ICR selection is based on a comparison of payments under the ICR and Extended repayment plans. ICR selection becomes more likely as savings under ICR increase.

Incomes reflect average income over the first 10 years in repayment. Low Income = $0-$26,938. Medium Income = $26,939-$62,729. High Income = Over $62,729.
Debt reflects total Federal education debt. Low Debt = $0-$3,075. Medium Debt = $3,076-$14,310. High Debt = Over $14,310.

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	5-Year Total
Subsidy Rate	17.23%	16.84%	15.35%	16.68%	16.89%	16.60%
Subsidy Cost (in Millions)	$262	$273	$342	$373	$411	$1,661
Change from Current Regulation (in Millions)	$19	$24	$31	$34	$37	$145

14-Mar-95
Office of the Under Secretary

Note: Details may not add to totals due to rounding.

Income-Contingent Repayment - Current Regulation

	Income/ Debt Group	Percent of all Borrowers	Percent of all ICR Borrowers	Percent Within Group Taking ICR	Average Years in Repayment	Average Subsidy Rate Over 5 Years	Not Paid in Full: Percent of Borrowers	Not Paid in Full: Percent of Debt	Negative Amortization: Percent of Borrowers Affected	Negative Amortization: Average Years for Affected Borrowers	Percentage of Principal Repaid: Loans Forgiven	Percentage of Principal Repaid: Loans Paid in Full
Low Income	Group 1 Low Debt	9.4%	11.6%	21.3%	17.5	16.7%	35.6	4.1	73.1	9.3	189.2%	162.1%
	Group 2 Medium-High Debt	15.6%	20.3%	22.6%	20.7	13.3%	38.3	4.5	86.4	9.4	173.8%	197.6%
Medium Income	Group 3 Low Debt	11.2%	8.9%	13.6%	11.6	16.9%	0.9	0.1	24.4	2.3	210.1%	154.4%
	Group 4 Medium Debt	25.2%	23.9%	16.5%	12.8	16.7%	4.7	0.4	44.6	3.0	199.6%	160.3%
	Group 5 High Debt	13.6%	16.1%	20.5%	16.2	15.6%	11.4	1.0	61.5	4.4	221.6%	174.2%
High Income	Group 6 Low-Medium Debt	17.5%	11.9%	11.8%	11.4	16.0%	3.2	0.3	16.9	4.2	239.1%	153.4%
	Group 7 High Debt	7.5%	7.2%	16.7%	14.0	15.1%	4.9	0.5	31.8	4.5	153.6%	167.1%
	Total	100.0%	100.0%	17.3%	15.3	15.1%	15.3	1.7	53.1	6.5	187.0%	167.5%

o Current (December 1, 1994) regulation.

Assumptions:

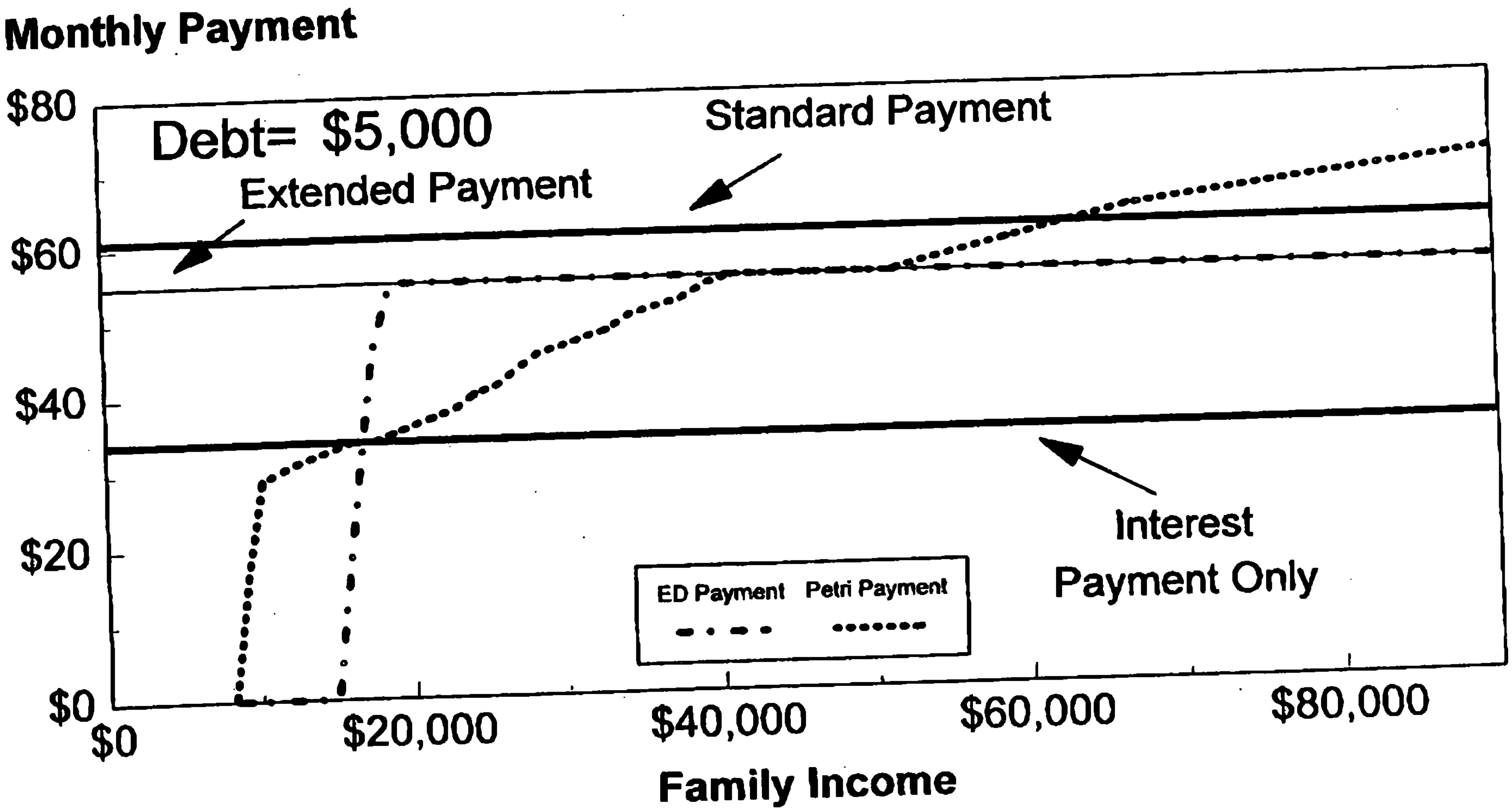
Incomes reflect average income over the first 10 years in repayment. Low Income = $0-$26,938. Medium Income = $26,939-$62,729. High Income = Over $62,729.
Debt reflects total Federal education debt. Low Debt = $0-$3,075. Medium Debt = $3,076-$14,310. High Debt = Over $14,310.

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	5-Year Total
Subsidy Rate	15.87%	15.31%	13.94%	15.35%	15.35%	15.12%
Subsidy Cost (in Millions)	$243	$250	$310	$339	$374	$1,516
Change from Current Regulation (in Millions)	$0	$0	$0	$0	$0	$0

14-Mar-95
Office of the Under Secretary

Note: Details may not add to totals due to rounding.

Comparison of Petri Payment (Petri 9) and Ed Payment under ICR for Marrieds with Family Size=4



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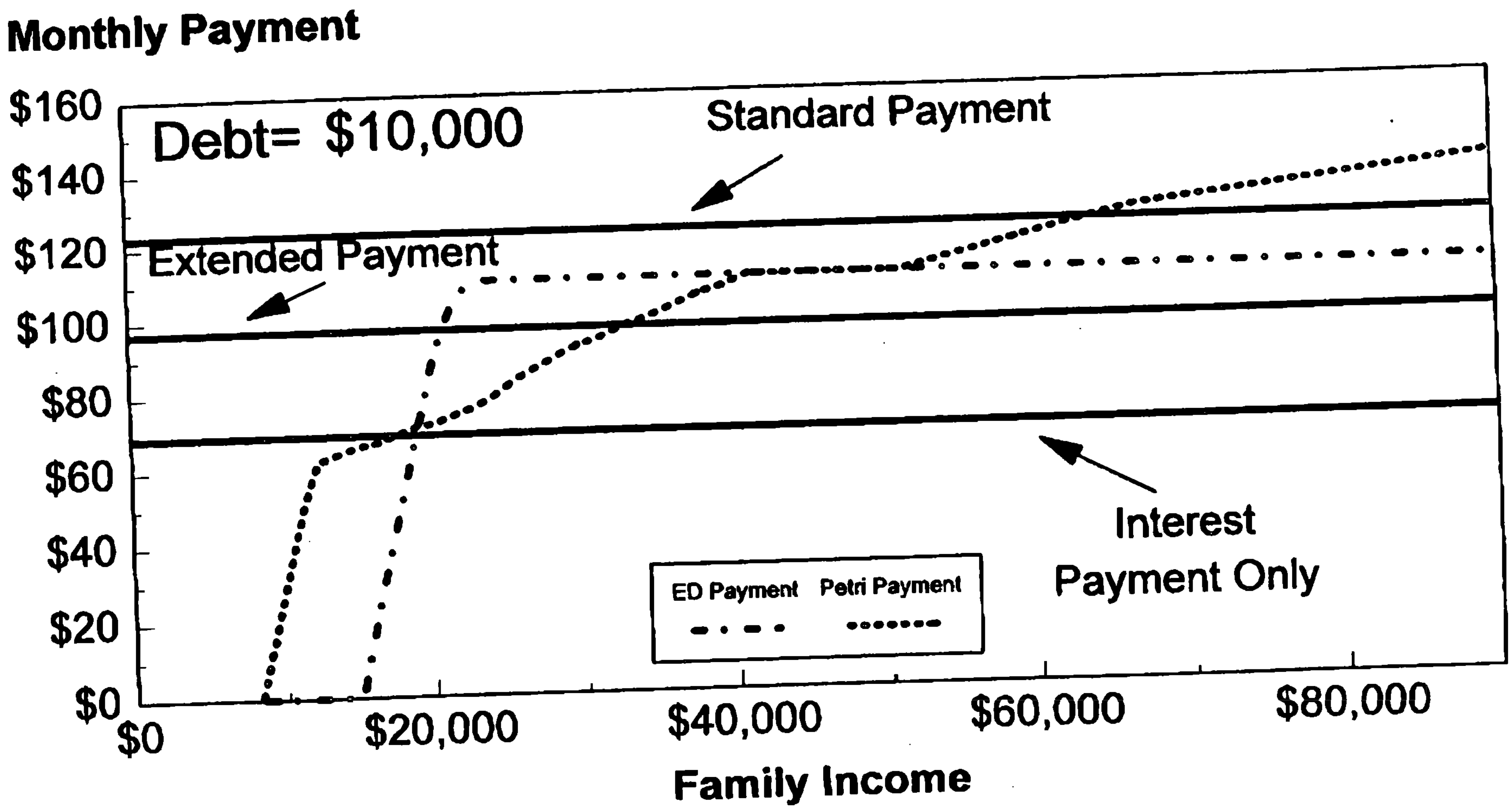

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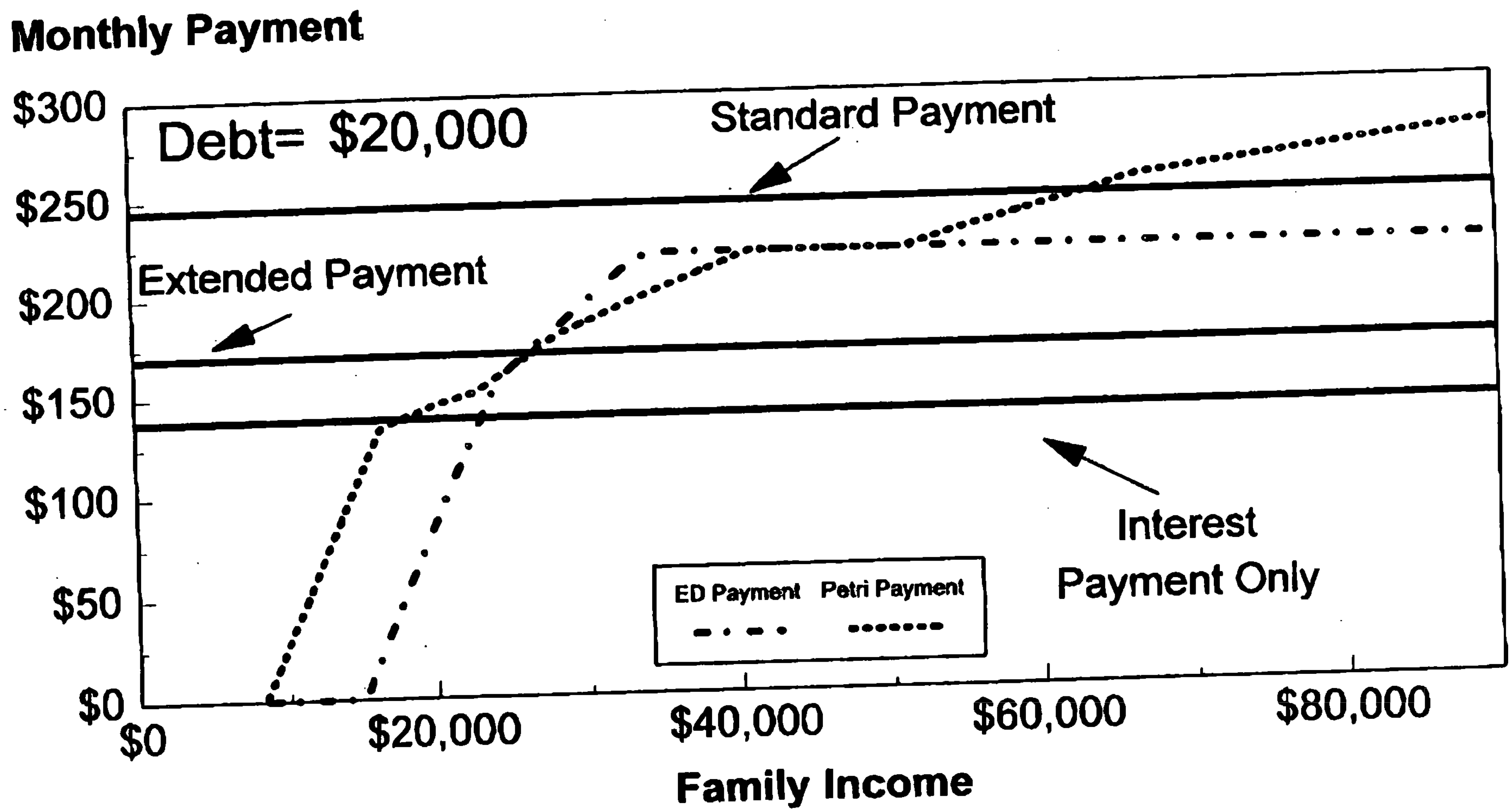

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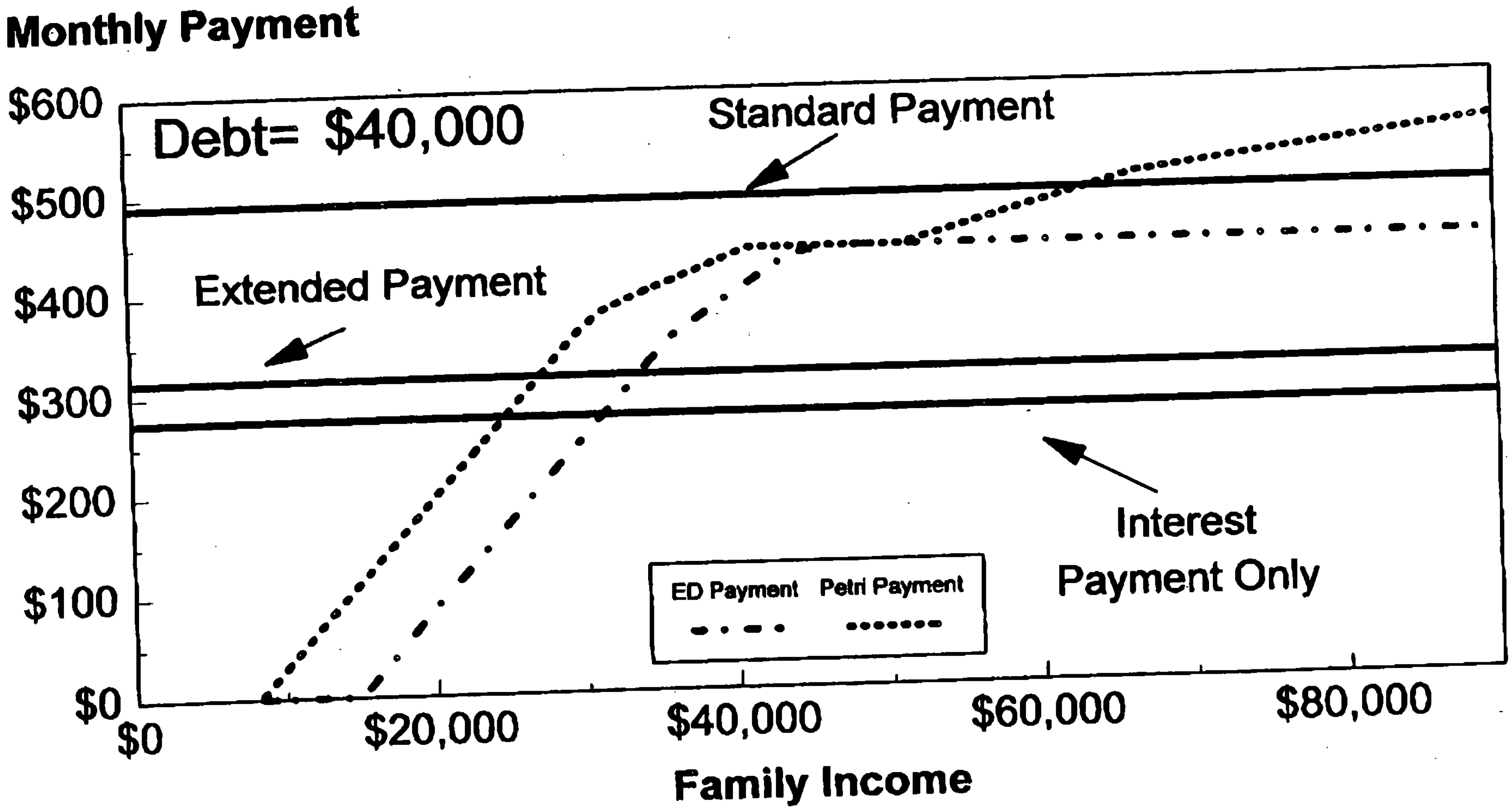
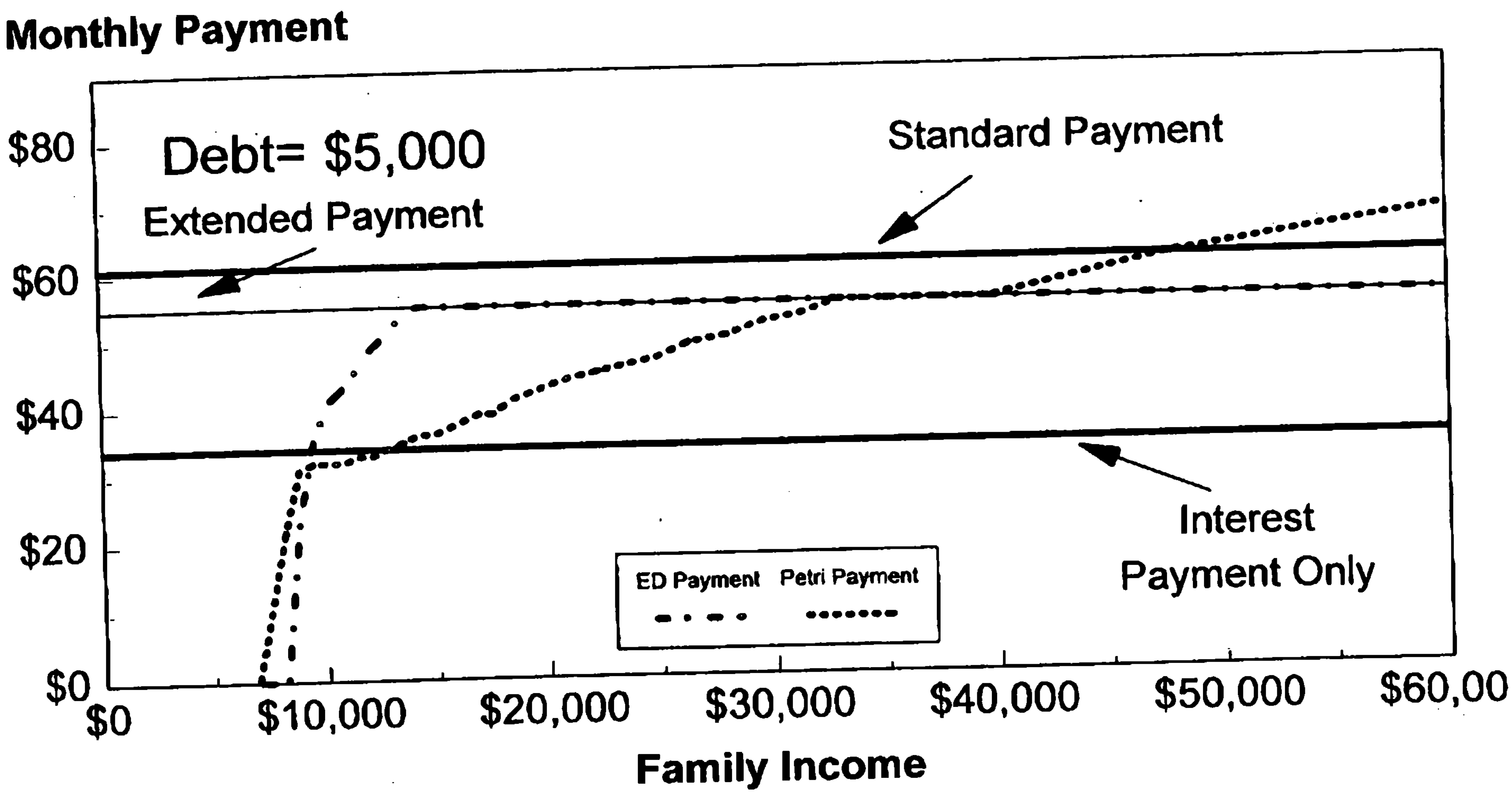


Comparison of Petri Payment (Petri 9) and Ed Payment under ICR for Singles



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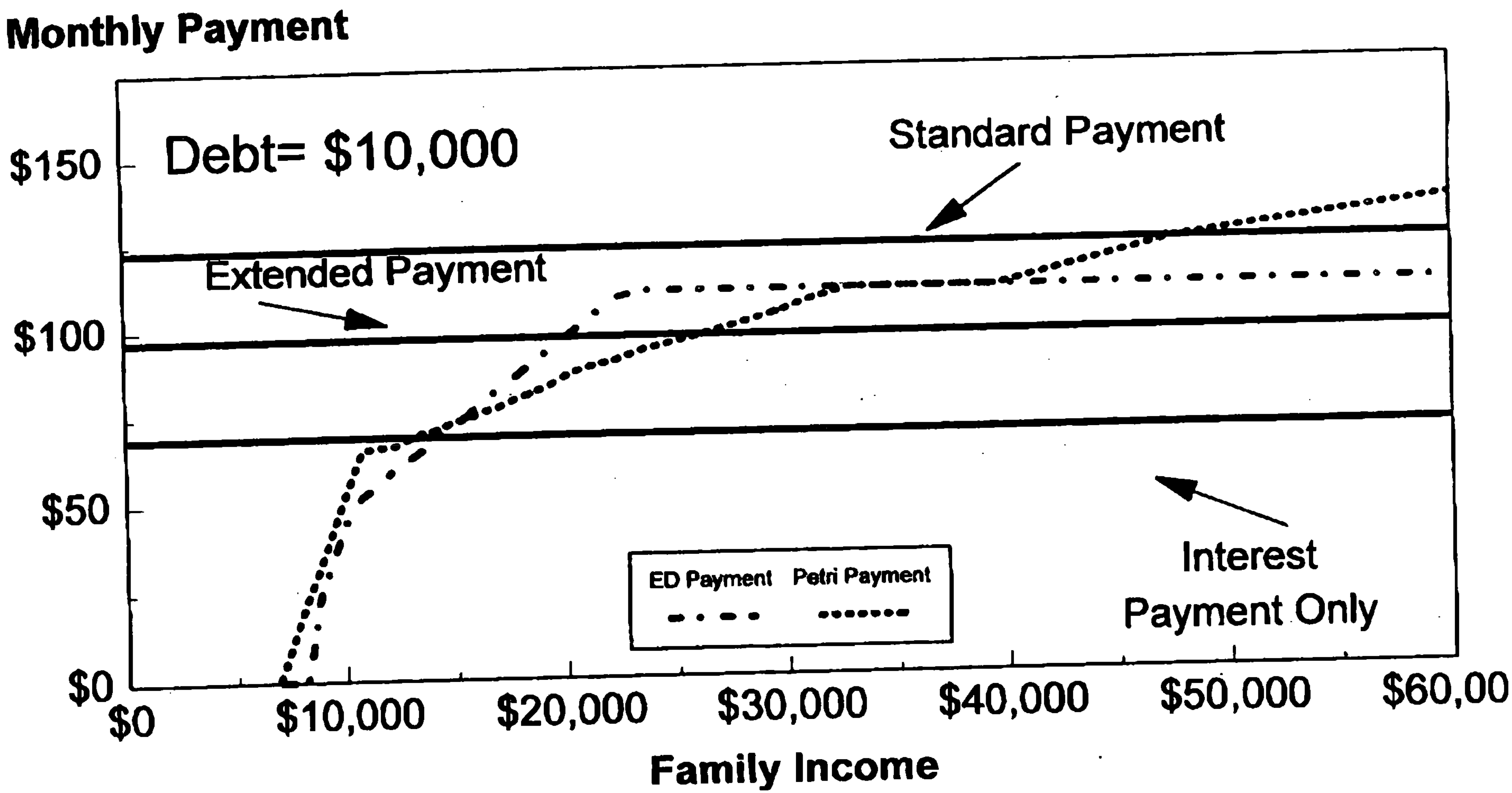
Budget Service 2/28/95

Comparison of Petri Payment (Petri 9) and Ed Payment under ICR for Singles



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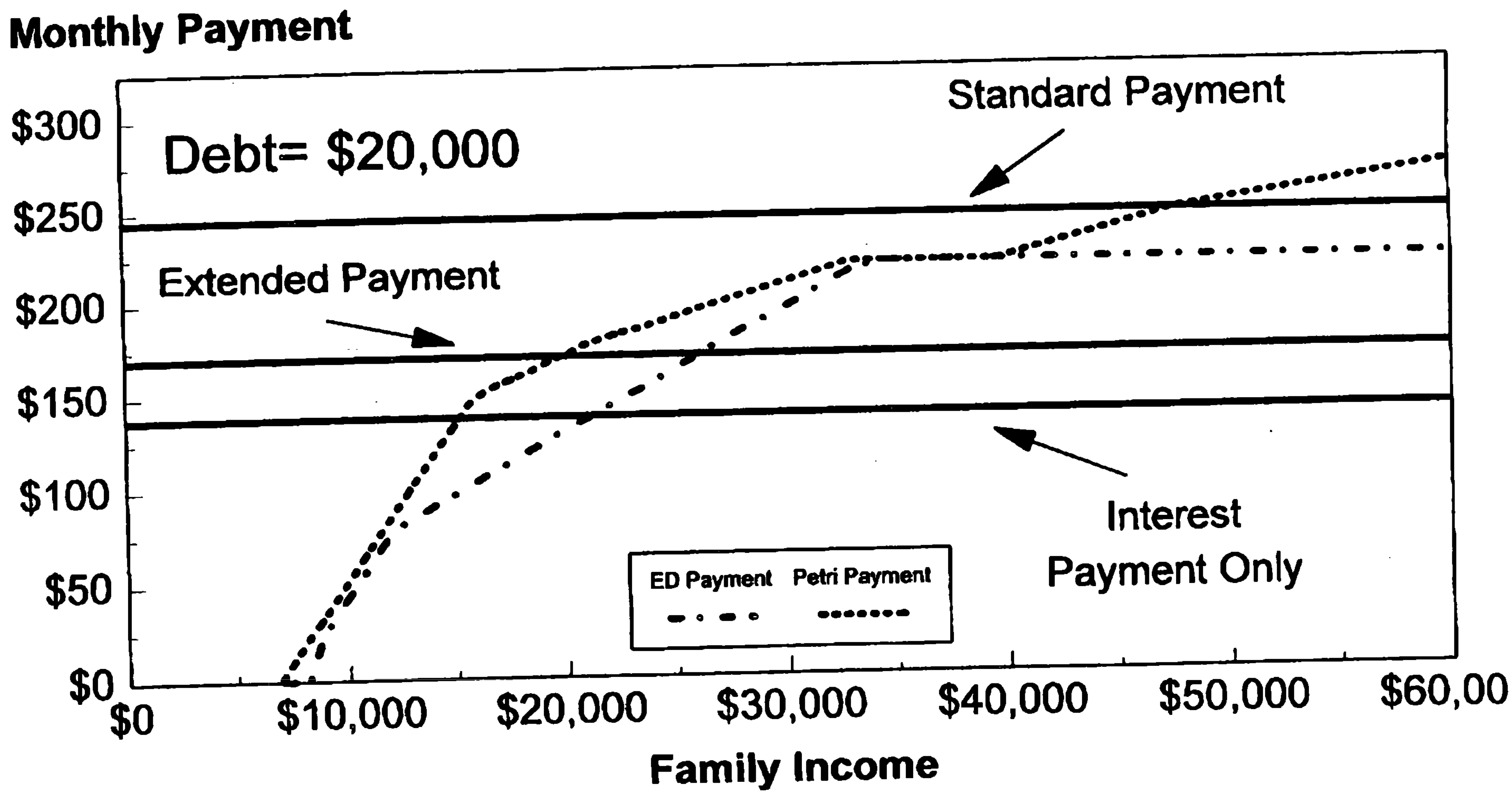

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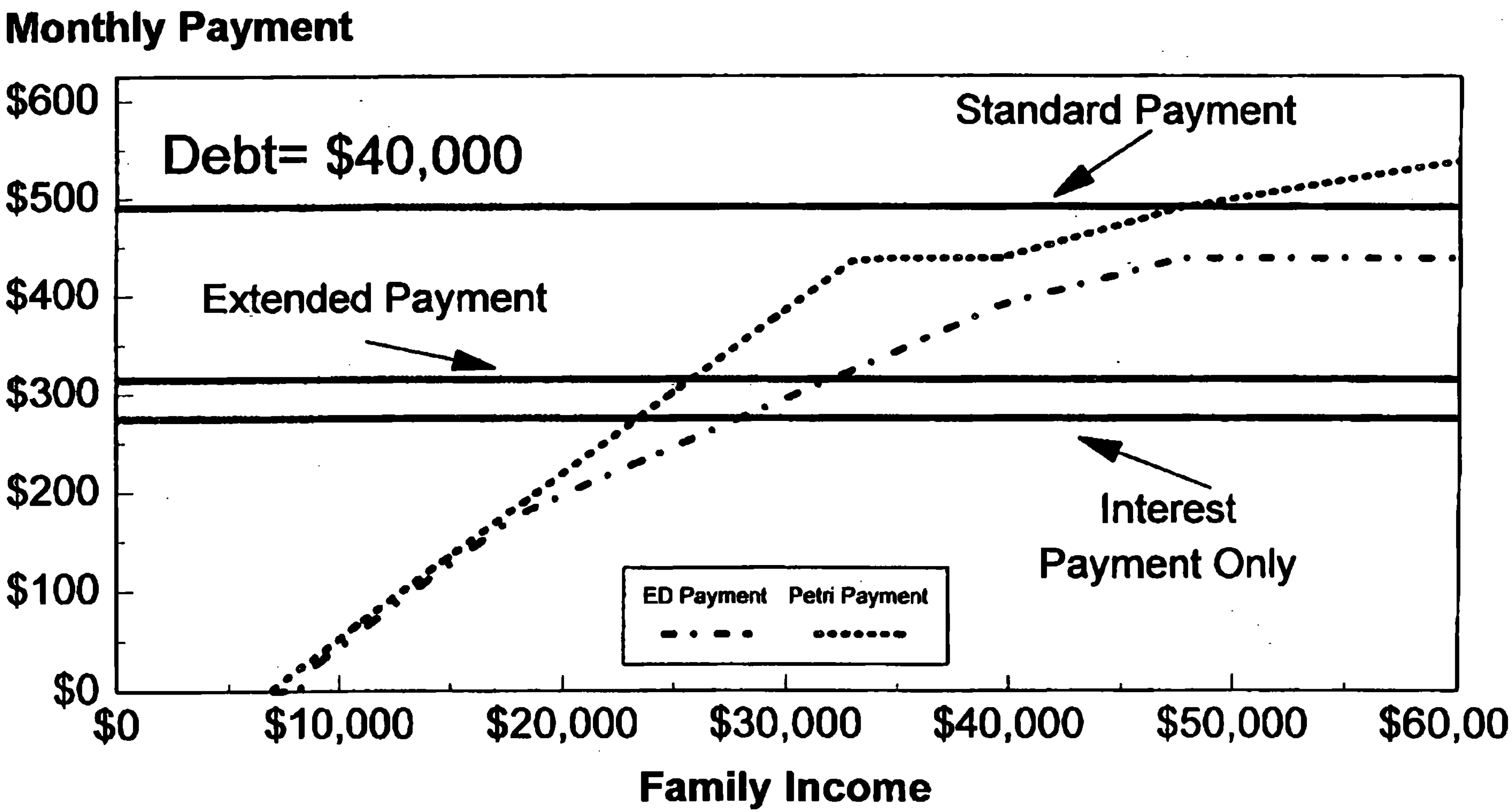

ıdget Service 2/28/95

COMPARISON OF ED AND PETRI 9 REPAYMENT PLANS UNDER ICR

TYPE OF BORROWER

INCOME	$5,000	$10,000	$10,000	$10,000	$10,000	$25,000	$30,000	$30,000	$50,000	$100,000
DEBT	$15,000	$3,500	$10,000	$15,000	$20,000	$5,000	$10,000	$50,000	$50,000	$100,000
ED POLICY										
First Year Monthly Payment	$0	$38	$44	$44	$44	$55	$110	$345	$548	$1,096
As a % of Income	0.0%	4.5%	5.3%	5.3%	5.3%	2.6%	4.4%	13.8%	13.2%	13.2%
Tenth Year Monthly Payment	$0	$38	$57	$57	$57	$55	$110	$450	$548	$1,096
As a % of Income	0.0%	3.5%	5.3%	5.3%	5.3%	2.0%	3.4%	13.8%	10.1%	10.1%
Years in Repayment	25	13	25	25	25	12	12	21	12	12
PETRI 9 PLAN										
First Year Monthly Payment	$0	$22	$52	$52	$52	$48	$104	$386	$624	$1,552
As a % of Income	0.0%	2.7%	6.3%	6.3%	6.3%	2.3%	4.2%	15.4%	15.0%	16.6%
Tenth Year Monthly Payment	$0	$24	$68	$68	$68	$48	$104	$503	$624	NA
As a % of Income	0.0%	2.2%	6.3%	6.3%	6.3%	1.7%	3.2%	15.4%	11.5%	NA
Progressivity Factor	55.0%	58.4%	58.4%	58.4%	58.4%	86.6%	95.0%	95.0%	113.9%	150.6%
Years in Repayment	25	25	25	25	25	16	14	18	10	7
STANDARD PLAN										
First Year Monthly Payment	$184	$50	$123	$184	$245	$61	$123	$613	$613	$1,227
As a % of Income	44.2%	6.0%	14.7%	22.1%	29.4%	2.9%	4.9%	24.5%	14.7%	14.7%
Tenth Year Monthly Payment	$184	$50	$123	$184	$245	$61	$123	$613	$613	$1,227
As a % of Income	33.8%	4.6%	11.3%	16.9%	22.6%	2.3%	3.8%	18.8%	11.3%	11.3%
Years in Repayment	10	8	10	10	10	10	10	10	10	10
GRADUATED PLAN										
First Year Monthly Payment	$71	$25	$71	$71	$142	$36	$71	$365	$355	$710
As a % of Income	17.0%	3.0%	8.5%	8.5%	17.0%	1.7%	2.8%	14.2%	8.5%	8.5%
Tenth Year Monthly Payment	$111	$53	$111	$111	$178	$76	$111	$395	$395	$746
As a % of Income	20.5%	4.9%	10.2%	10.2%	16.2%	2.8%	3.4%	12.1%	7.3%	6.9%
Years in Repayment	15	12	15	15	20	12	15	25	25	30
EXTENDED PLAN										
First Year Monthly Payment	$146	$50	$97	$146	$170	$55	$97	$394	$394	$751
As a % of Income	34.9%	6.0%	11.6%	17.5%	20.4%	2.6%	3.9%	15.8%	9.5%	9.0%
Tenth Year Monthly Payment	$146	$50	$97	$146	$170	$55	$97	$394	$394	$751
As a % of Income	26.8%	4.6%	8.9%	13.4%	15.7%	2.0%	3.0%	12.1%	7.3%	6.9%
Years in Repayment	15	8	15	15	20	12	15	25	25	30

Note: The examples assume a single borrower, a 8.25 percent interest rate, 3 percent annual income growth, 3 percent annual inflation, and assume that the payment under the ED Policy is always capped at the 12 year extended amount.

14-Mar-95
Budget Service

Income Contingent Repayment Plan - Petri 9 Proposal

Formula Amount: Sample First-year Monthly Repayment Amounts for a Single Borrower (Family of 1) at Various Income and Debt Levels

	Initial Debt																							
Income	$2,500	$5,000	$7,500	$10,000	$12,500	$15,000	$17,500	$20,000	$22,500	$25,000	$30,000	$35,000	$40,000	$45,000	$50,000	$55,000	$60,000	$65,000	$70,000	$75,000	$80,000	$85,000	$90,000	$100,000
$1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7,000	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
8,000	15	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
9,000	16	31	34	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36
10,000	16	32	48	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52
12,500	17	34	50	67	84	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94
15,000	18	36	55	73	91	109	127	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136
17,500	20	39	59	79	98	118	138	157	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177
20,000	21	43	64	86	107	128	150	171	192	214	219	219	219	219	219	219	219	219	219	219	219	219	219	219
22,500	23	45	68	91	113	136	159	182	204	227	261	261	261	261	261	261	261	261	261	261	261	261	261	261
25,000	24	48	71	95	119	143	166	190	214	238	285	302	302	302	302	302	302	302	302	302	302	302	302	302
30,000	26	52	78	104	130	156	182	208	234	260	313	365	386	386	386	386	386	386	386	386	386	386	386	386
35,000	27	55	82	110	137	164	192	219	247	274	329	384	438	469	469	469	469	469	469	469	469	469	469	469
40,000	28	55	83	110	138	165	193	220	248	276	331	386	441	496	551	552	552	552	552	552	552	552	552	552
45,000	30	59	89	118	148	177	207	237	266	296	355	414	473	532	592	636	636	636	636	636	636	636	636	636
50,000	31	62	94	125	156	187	218	250	281	312	375	437	499	562	624	687	719	719	719	719	719	719	719	719
55,000	32	65	97	130	162	194	227	259	292	324	389	454	519	583	648	713	778	802	802	802	802	802	802	802
60,000	34	67	101	134	168	202	235	269	302	336	403	471	538	605	672	739	807	874	886	886	886	886	886	886
65,000	35	69	104	138	173	208	242	277	312	346	415	485	554	623	692	761	831	900	969	969	969	969	969	969
70,000	36	71	107	142	178	213	249	285	320	356	427	498	569	640	711	782	854	925	996	1,052	1,052	1,052	1,052	1,052
75,000	37	73	110	146	183	219	256	292	329	365	438	511	584	657	730	804	877	950	1,023	1,096	1,136	1,136	1,136	1,136
80,000	37	75	112	150	187	225	262	300	337	375	450	525	600	675	750	825	899	974	1,049	1,124	1,199	1,219	1,219	1,219
85,000	38	77	115	154	192	231	269	307	346	384	461	538	615	692	769	846	922	999	1,076	1,153	1,230	1,302	1,302	1,302
90,000	39	79	118	158	197	236	276	315	354	394	473	551	630	709	788	867	945	1,024	1,109	1,182	1,260	1,339	1,386	1,386
95,000	40	81	121	161	202	242	282	323	363	403	484	565	645	726	807	887	968	1,049	1,129	1,210	1,291	1,372	1,452	1,469
100,000	41	83	124	165	206	248	289	330	372	413	495	578	660	743	826	908	991	1,073	1,156	1,238	1,321	1,403	1,486	1,552

13-Mar-95
U.S. Department of Education

Income Contingent Repayment Plan - Current Regulation

Formula Amount: Sample First-year Monthly Repayment Amounts for a Single Borrower (Family of 1) at Various Income and Debt Levels

	Initial Debt																						
Income	$2,500	$5,000	$7,500	$10,000	$12,500	$15,000	$17,500	$20,000	$22,500	$25,000	$30,000	$35,000	$40,000	$45,000	$50,000	$55,000	$60,000	$65,000	$70,000	$75,000	$80,000	$85,000	$90,000	$100,000
$1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,000	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27
10,000	27	40	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
12,500	27	50	55	60	66	71	76	81	86	86	86	86	86	86	86	86	86	86	86	86	86	86	86	86
15,000	27	55	66	73	79	85	91	98	104	110	123	127	127	127	127	127	127	127	127	127	127	127	127	127
17,500	27	55	77	85	92	99	106	114	121	128	143	158	169	169	169	169	169	169	169	169	169	169	169	169
20,000	27	55	82	97	105	113	122	130	138	147	165	180	197	211	211	211	211	211	211	211	211	211	211	211
22,500	27	55	82	109	118	128	137	146	156	165	184	203	221	240	252	252	252	252	252	252	252	252	252	252
25,000	27	55	82	110	131	142	152	163	173	183	204	225	246	267	288	294	294	294	294	294	294	294	294	294
30,000	27	55	82	110	137	164	183	195	208	220	245	270	295	320	345	370	375	375	375	375	375	375	375	375
35,000	27	55	82	110	137	164	192	219	242	257	286	315	344	373	403	432	438	438	438	438	438	438	438	438
40,000	27	55	82	110	137	164	192	219	247	274	327	360	393	427	460	493	500	500	500	500	500	500	500	500
45,000	27	55	82	110	137	164	192	219	247	274	329	384	438	480	518	555	563	563	563	563	563	563	563	563
50,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	625	625	625	625	625	625	625	625
55,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	688	688	688	688	688	688	688
60,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	750	750	750	750	750	750
65,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	767	813	813	813	813	813
70,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	767	822	875	875	875	875
75,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	767	822	877	932	938	938
80,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	767	822	877	932	987	1,000
85,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	767	822	877	932	987	1,063
90,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	767	822	877	932	987	1,096
95,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	767	822	877	932	987	1,096
100,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	548	603	658	713	767	822	877	932	987	1,096

13-Mar-95
U.S. Department of Education

March 21, 1995

Mr. Patrick L. Hinrichsen
Wilcoxen, Callahan, Montgomery & Harbison
2114 K Street
Sacramento, California 95816

Dear Patrick:

Thank you for writing to me. I'm glad to know your views and I appreciate your thoughtful suggestions about the student loan program.

While the federal government no longer offers a tax deduction for interest on student loans, my Administration is taking many important steps to make higher education more affordable for students and families. For example, our Direct Student Loan Program enables borrowers to consolidate their guaranteed loans into direct loans. Borrowers benefit from lower fees and the option of income-contingent repayment. I have also proposed giving a tax deduction for college tuition and the creation of an expanded IRA that allows withdrawals for education funds. These efforts will help to ease the burden that a college education places on many middle-class individuals and families.

Excellence in education is the key to our nation's continued progress and prosperity. As my Administration works to enable Americans to pursue a high-quality education, I welcome your involvement.

Sincerely, BILL CLINTON

BC/EDUCATION/MRM/ckb (Corres. #2134363)
(3.loan)
cc: w/inc Bill Galston

950323

WILCOXEN, MONTGOMERY & HARBISON

DANIEL E. WILCOXEN*
A LAW CORPORATION
JAMES R. MONTGOMERY
JOSEPH F. HARBISON, III

*CERTIFIED SPECIALIST
IN CIVIL TRIAL ADVOCACY
BY THE NATIONAL BOARD
OF TRIAL ADVOCACY

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(916) 442-2777
FAX (916) 442-4118

DAVID F. SMITH
PATRICK L. HINRICHSEN
JOANNE M. MERRY
SUSAN T. PATRONIK

December 20, 1994

President Clinton
The White House
Washington, DC 20500

Re: Tax Deduction for Student Loan Interest

Dear President Clinton:

My wife, Julieanne, and I both graduated from the University of the Pacific, McGeorge School of Law and are currently practicing attorneys.

I graduated from McGeorge School of Law with a Juris Doctorate degree in 1989 and a Master of Laws in Business and Taxation in 1990. Julieanne also graduated from McGeorge School of Law in 1990 with her Juris Doctorate degree.

During the Bush administration, Congress passed a bill which would have made student loan interest deductible. However, President Bush vetoed the tax bill due to, amongst other things, a five percent increase for the top taxable income bracket.

When I graduated from law school in 1990 with my Masters, I had outstanding student loan principle from my undergraduate work at UW Platteville, Platteville, Wisconsin and McGeorge School of Law in the amount of $98,000. When my wife graduated from law school she had $60,000 outstanding from the University of California, Berkeley and McGeorge School of Law.

The burden of this approximate $160,000 in student loan principle equates to over **$1700** in stifling student loan payments per month -- most of which is interest.

Further, due to recent increases in interest rates, and anticipated future increases, these payments have continued to increase and probably will increase in the future since several of our student loans have adjustable interest rates.

The financial pressure which the above student loan interest creates is enormous and is an issue which hits home with every person who is graduating from a university or graduate school.

Due to the substantial cost of education for both public and private universities at this time, it is virtually impossible for students to obtain a four year undergraduate degree let alone a graduate degree without incurring substantial debt. These students pursue higher education and careers in order to continue to stimulate our economy and create jobs not only for themselves but others whom they will employ in the future. In fact, recent statistical data from the University of the Pacific McGeorge School of Law establishes that the average student graduating from McGeorge School of Law will incur **$55,000 to $68,500** in student loan debt -- which is astronomical.

Therefore, due to the debt incurred by students in obtaining their education and especially graduate education, it is virtually impossible for students to begin a business, own a home, or even buy appropriate outfits to begin their first job to give meaning to their sacrifice in obtaining a higher education and foregoing the opportunity of obtaining a job earlier.

In my experience, middle class students are the individuals who required to obtain student loans in order to pursue and finish their education, unlike students from low income families who are entitled to grants, or students from high income families who have parents who pay for their entire education and never have to worry about taking out student loans.

These middle class students of higher education learn quickly after graduation that there are little or no tax deductions leaving their gross income bear to be taxed on every cent while those who had their education paid for by grants, scholarships or by their parents are steps ahead, buying a home, and reaping the benefits of a skewed tax system which allows for deductions of mortgage interest but not student loan interest.

Although the current administration has attempted to help students, it is my understanding that the bill signed into law by President Clinton, recently allowing for repayment of student loans in proportion to income, is not retroactive and therefore does not apply to me, my wife or other students similarly situated.

Further, it is my understanding that the bill signed into law by President Clinton applies only to "direct" federally funded student loans and does not apply to the more substantial private loans which are necessary to middle class students to obtain and finish their undergraduate and graduate education, and thus, the new law gives no relief to those students who graduated prior to its enactment and further gives no relief to present and future students who, no doubt, will continue to need substantial private student loans to finish their education.

Moreover, the current proposed deductions for tuition and deductions for children would not apply to my wife and I and other recent graduates similarly situated since we do not have children and at this point in time cannot afford to have children due to the substantial amount of student loan interest and/or student loan payments we make on a monthly basis.

Thus, this is a substantial middle class issue which I hope the Congress and the President resolve this coming year by writing into law the deductibility of student loan interest so that others like myself, who work their way up from small towns and communities, finished high school, finished college, and then went on to higher education will be fairly treated by the tax system which, at this time, tends to unfairly penalize those middle class students who have chosen to obtain a higher education to benefit not only themselves, but society by becoming part of the future employers and businesses which keep this country economically strong and competitive.

On behalf of all of your middle class student and recent graduate constituents, I request that you incorporate a provision for deductibility of student loan interest into your proposed middle class tax cut.

Very truly yours,

Patrick L. Hinrichsen

PATRICK L. HINRICHSEN

PLH/mkc

March 21, 1995

Mr. Marshall I. Farkas
1911 White Cedar Way
Brandon, Florida 33511

Dear Marshall:

Thank you for writing to me. I'm glad to know your views and I appreciate your thoughtful suggestions about the student loan program.

While the federal government no longer offers a tax deduction for interest on student loans, my Administration is taking many important steps to make higher education more affordable for students and families. For example, our Direct Student Loan Program enables borrowers to consolidate their guaranteed loans into direct loans. Borrowers benefit from lower fees and the option of income-contingent repayment. I have also proposed giving a tax deduction for college tuition and the creation of an expanded IRA that allows withdrawals for education funds. These efforts will help to ease the burden that a college education places on many middle-class individuals and families.

Excellence in education is the key to our nation's continued progress and prosperity. As my Administration works to enable Americans to pursue a high-quality education, I welcome your involvement.

Sincerely, **BILL CLINTON**

BC/EDUCATION/MRM/ckb (Corres. #2134372)
(3.loan)
cc: w/inc Bill Galston

?50323

S. LOANS

President Clinton
1600 Pennsylvania Avenue
Washington, D.C.

Mr. President:

Your speech of Thursday, December 15, 1994 was most inspiring and addressed issues that are of great concern. It is our fervent hope that congress will act with haste to approve your legislation.

There is one issue, however, that may have been overlooked. That is the plight of those of us who in our desire to achieve the american dream through higher education utilized student loans to pay tuition that otherwise would have been far beyond our ability and now find ourselves with repayment obligations that in many instances exceed our ability to pay.

Your proposal that college tuition be tax deductible should also be applied to student loan repayments as they in fact are the cost of tuition.

You have my continued support and I would hope that I and all of us who are repaying our student loans will enjoy your support.

Sincerely,

Marshall Farkas

Marshall I. Farkas
1911 White Cedar Way
Brandon, Florida 33511

March 21, 1995

Mrs. Bobbie G. Turner
2891 Laketon Road
Pittsburgh, Pennsylvania 15235

Dear Bobbie:

Thank you for writing to me. I'm glad to know your views and I appreciate your thoughtful suggestions about the student loan program.

While the federal government no longer offers a tax deduction for interest on student loans, my Administration is taking many important steps to make higher education more affordable for students and families. For example, our Direct Student Loan Program enables borrowers to consolidate their guaranteed loans into direct loans. Borrowers benefit from lower fees and the option of income-contingent repayment. I have also proposed giving a tax deduction for college tuition and the creation of an expanded IRA that allows withdrawals for education funds. These efforts will help to ease the burden that a college education places on many middle-class individuals and families.

Excellence in education is the key to our nation's continued progress and prosperity. As my Administration works to enable Americans to pursue a high-quality education, I welcome your involvement.

Sincerely, BILL CLINTON

BC/EDUCATION/MRM/ckb (Corres. #2134384)
(3.loan)
cc: w/inc Bill Galston

50323

Student LOAN Hold

Feb. 28, 1995

Dear Mr. President -

Your Bill of Rights for the Middle-Class which includes the deduction of tuition costs for parents with college students. This letter is to request that this be extended to college graduates who are currently paying off student loans. The interest on these educational loans should be tax-deductible the same as home mortgages and home equity loans. This would help ~~[illegible]~~ these young people to become self sufficient sooner that their lives can be taken off hold. They will be better able to support a family.

Enclosed is a copy of my adult sons' student account as an example of the high costs of education and particularly the interest rates. He + his twin brother were students at the same time and their father is a retired postal worker. This son's highest loans were for the two years at the New England Conservatory in Boston Mass where he graduated w/ a Master's Degree in Music in Jazz - w/ Distinction (1989). His undergraduate degree was a BFA in Music from the Carnegie-Mellon University in Pgh. in music composition. He plays keyboards

The enclosed loan record shows that only the interest could be paid during the first few years when he was only working part-time, if at all. In 1992, he moved to Atlanta, Ga. and was able to get a "9-5" clerical job. He began regular payments but please note the amount of interest already paid and the exhorbitant amount of interest still owed.

My son is a young African-American male who selected an area of study that he thought he would be able to pursue & at least earn a basic living but he must pay this debt first.

We support your "Bill of Rights" and ask that you would go a step forward to add that interest on student loans be considered tax-deductible. This would help so many who have invested in educational as a pathway to independence. Thanks! Sincerely,

(Mrs) Bottie G. Turner
2891 LAKETON RD
Pittsburgh, Pa. 15235
for
Arthur Darrell Turner

P.S. You may share this with Newt also. Our family of four have never been on welfare and my husband never earned more than $30 000 a year as a postal worker. It was my employment as a state welfare worker that helped pay covers our son's undergraduate educational. I plan to retire in a couple of years and would like to see my sons be able to move ahead without this great debt. This educational expense is more than we paid for our house 25 years ago. We would appreciate all of governments' help in this matter. Thanks!

Please advise me of your thoughts concerning our request.

STUDENT LOAN SERVICING CENTER

P.O. Box 2461
Harrisburg, Pennsylvania 17105-2461
TOLL FREE - 1-800-233-0557

January 31, 1995

91007- -
Arthur D. Turner
2891 Laketon Rd
Pittsburgh, PA 15235

Dear Mr. Turner:

In answer to your request, we have enclosed a statement of your account. This statement lists all payments credited to your account since we began servicing it. These statements are released upon request.

Payments are applied first to the interest that has accrued with the remainder applied to the outstanding principal. The amount of interest will vary with the number of days that have elapsed between payments and the outstanding principal balance. This is a(n) 7% simple interest charge based on the decreasing principal balance of the account.

If you have any questions or need additional information, contact us at the address or telephone number shown above. SLSC representatives are available to discuss your account Monday through Friday from 8:00 a.m. to 8:30 p.m. and on Saturday 8:00 a.m. to 4:00 p.m., Eastern Time.

Account Research and
Response Department

KHP:TB
S159547688 M B
Enclosure

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. statements	re: Student Loan Payment Record (including PII) (3 pages)	01/31/1995	b(6)

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Bill Galston
OA/Box Number: 5735

FOLDER TITLE:
[Direct Student Loans] [1]

2017-1069-F
jm1807

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 advice 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]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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]

21

March ~~13~~, 1995

^F10?^
^F18?^
^F20?^
^F21?^
^F22?^
^F23^, ^F25^ ^F27^

Dear ^F9^:

Thank you for writing to me. I'm glad to know your views and I appreciate your thoughtful suggestions about the student loan program.

While the federal government no longer offers a tax deduction for interest on student loans, my Administration is taking many important steps to make higher education more affordable for students and families. For example, our Direct Student Loan Program enables borrowers to consolidate their guaranteed loans into direct loans. Borrowers benefit from lower fees and the option of income-contingent repayment. I have also proposed giving a tax deduction for college tuition and the creation of an expanded IRA that allows withdrawals for education funds. These efforts will help to ease the burden that a college education places on many middle-class individuals and families.

Excellence in education is the key to our nation's continued progress and prosperity. As my Administration works to enable Americans to pursue a high-quality education, I welcome your involvement.

Sincerely,

BC/EDUCATION/MRM/ckb (Corres. #^F58^)
(3.loan)
cc: w/inc Bill Galston

March 21, 1995

Ms. Sharon Huffman
26990 Weld County Road 45
Greeley, Colorado 80631

Dear Sharon:

Thank you for writing to me. I'm glad to know your views and I appreciate your thoughtful suggestions about the student loan program.

While the federal government no longer offers a tax deduction for interest on student loans, my Administration is taking many important steps to make higher education more affordable for students and families. For example, our Direct Student Loan Program enables borrowers to consolidate their guaranteed loans into direct loans. Borrowers benefit from lower fees and the option of income-contingent repayment. I have also proposed giving a tax deduction for college tuition and the creation of an expanded IRA that allows withdrawals for education funds. These efforts will help to ease the burden that a college education places on many middle-class individuals and families.

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Sincerely, BILL CLINTON

BC/EDUCATION/MRM/ckb (Corres. #2134389)
(3.loan)
cc: w/inc Bill Galston

250323

January 4, 1995

Mr. William J. Clinton
President of the United States
The White House
Washington D.C. 20500

Dear Mr. President:

I applaud your decision to provide a tax credit for college tuition. Your actions mirror how all of our country should feel--that a college education is of utmost importance. Parents and students appreciate your support.

We are a middle-class family, with two working parents. Our daughter was the first of our families to obtain a four-year degree. This made us very proud, as she currently teaches Language Arts to ninth graders. It was a decision we made when our children were very small --we would make every sacrifice to ensure that each of our kids received a four-year degree. We have paid approximately $10,000 per year in college expenses since 1988. We paid double tuition for three semesters, as the kids were in college at the same time. My son still has two semesters left. It has been tough, and a tax credit would have helped tremendously during that time. I hope that the tax credit becomes a reality for others in our situation.

As you work on the goal of a tax credit for college expenses, I ask you to consider college loans. There are a lot of students and parents who are, and will be, paying off student/parent loans that we used for college tuition. The tax credit was not available when we made the loans, but we will still be paying on them after our children have graduated. I realize that personal loans through banks cannot be considered, even though they were used for college. But, what about loans that students and parents have received through college loan programs (Parent Plus Loans and Stafford Loans). I ask that you consider making these eligible for the tax credit also.

Student loans keep getting tougher to get and the interest starts accruing right away, even if the payment doesn't. Overall, governmental help and encouragement to get a college degree has been lacking. We appreciate your concern and interest in helping with this problem.

Sharon Huffman
26990 Weld County Road 45
Greeley, CO 80631

cc: Mr. Albert Gore, Jr., Vice President
Mr. Newt Gingrich, Speaker of the House
Mr. Robert Dole, Senate Majority Leader
Mr. Hank Brown, United States Senate
Mr. Ben Nighthorse Campbell, United States Senate
Mr. Wayne Allard, Congressman

March 21, 1995

Mr. Eric Wiertelak
Macalester College
1600 Grand Avenue
St. Paul, Minnesota 55105

Dear Eric:

Thank you for writing to me. I'm glad to know your views and I appreciate your thoughtful suggestions about the student loan program.

While the federal government no longer offers a tax deduction for interest on student loans, my Administration is taking many important steps to make higher education more affordable for students and families. For example, our Direct Student Loan Program enables borrowers to consolidate their guaranteed loans into direct loans. Borrowers benefit from lower fees and the option of income-contingent repayment. I have also proposed giving a tax deduction for college tuition and the creation of an expanded IRA that allows withdrawals for education funds. These efforts will help to ease the burden that a college education places on many middle-class individuals and families.

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Sincerely, BILL CLINTON

BC/EDUCATION/MRM/ckb (Corres. #2134403)
(3.loan)
cc: w/inc Bill Galston

950323

```
From nobody@razorback.arc.nasa.gov  Thu Feb 23 13:31:04 1995
Received: by WhiteHouse.Gov (5.65/fma/mjr-120691);
     id AA10561; Thu, 23 Feb 95 13:31:04 -0500
Received: from razorback.arc.nasa.gov/128.102.252.1 via smap
Received: by razorback.arc.nasa.gov (8.6.8/1.35)
     id SAA29883; Thu, 23 Feb 1995 18:30:49 GMT
Date: Thu, 23 Feb 1995 18:30:49 GMT
Message-Id: <199502231830.SAA29883@razorback.arc.nasa.gov>
Subject: Inbound-White_House_WWW_MAIL => PRESIDENT
Reply-To: wiertelak@macalstr.edu
From: wiertelak@macalstr.edu
Comments: Forwarded from White House WWW.
Keywords: WWW-Correspondence; PRESIDENT; Offer neutral commentary, advice, or a
suggestion;  Education;  Professional
Apparently-To: PRESIDENT
```

Remote host: dipper.psyc.macalstr.edu
Remote IP address: 141.140.9.21
Server protocol: HTTP/1.0

[Sender information]

PERSONAL-NAME: Eric Wiertelak
EMAIL-ADDRESS: wiertelak@macalstr.edu
ORGANIZATION: Macalester College
RELATIONSHIP: professor
STREET-ADDRESS: 1600 Grand Ave
CITY: St. Paul
STATE-PROVINCE: MN
ZIPCODE: 55105
COUNTRY: us

[Message information]

RECIPIENT: PRESIDENT
PURPOSE: Offer neutral commentary, advice, or a suggestion
TOPIC: Education
AFFILIATION: Professional
SUBJECT: Student Loan Interest

[Message content follows]

Mr. President, Student Loan Interest payments should be tax-deductable! Lets make it so!

March 21, 1995

Ms. Mary Ellen Wiertelak
1600 Grand Avenue
St. Paul, Minnesota 55105

Dear Mary Ellen:

Thank you for writing to me. I'm glad to know your views and I appreciate your thoughtful suggestions about the student loan program.

While the federal government no longer offers a tax deduction for interest on student loans, my Administration is taking many important steps to make higher education more affordable for students and families. For example, our Direct Student Loan Program enables borrowers to consolidate their guaranteed loans into direct loans. Borrowers benefit from lower fees and the option of income-contingent repayment. I have also proposed giving a tax deduction for college tuition and the creation of an expanded IRA that allows withdrawals for education funds. These efforts will help to ease the burden that a college education places on many middle-class individuals and families.

Excellence in education is the key to our nation's continued progress and prosperity. As my Administration works to enable Americans to pursue a high-quality education, I welcome your involvement.

Sincerely, **BILL CLINTON**

BC/EDUCATION/MRM/ckb (Corres. #2134394)
(3.loan)
cc: w/inc Bill Galston

950323

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1600 Grand Avenue
St. Paul, Minnesota 55105

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From nobody@razorback.arc.nasa.gov Thu Feb 23 13:31:05 1995
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Received: by razorback.arc.nasa.gov (8.6.8/1.35)
     id SAA29991; Thu, 23 Feb 1995 18:31:11 GMT
Date: Thu, 23 Feb 1995 18:31:11 GMT
Message-Id: <199502231831.SAA29991@razorback.arc.nasa.gov>
Subject: Inbound-White_House_WWW_MAIL => PRESIDENT
Reply-To: Wiertelakm@macalstr.edu
From: Wiertelakm@macalstr.edu
Comments: Forwarded from White House WWW.
Keywords: WWW-Correspondence; PRESIDENT; Offer neutral commentary, advice, or a suggestion; Education; Private Citizen
Apparently-To: PRESIDENT

Remote host: claudius.reg.macalstr.edu
Remote IP address: 141.140.54.103
Server protocol: HTTP/1.0

[Sender information]

PERSONAL-NAME: Mary Ellen Wiertelak
EMAIL-ADDRESS: Wiertelakm@macalstr.edu
ORGANIZATION:
RELATIONSHIP:
STREET-ADDRESS: 1600 Grand Ave.
CITY: St. Paul
STATE-PROVINCE: MN
ZIPCODE: 55105
COUNTRY: USA

[Message information]

RECIPIENT: PRESIDENT
PURPOSE: Offer neutral commentary, advice, or a suggestion
TOPIC: Education
AFFILIATION: Private Citizen
SUBJECT: Student Loan interest

[Message content follows]

Mr. President,
I am writing today to suggest that student loan interest payments should be tax-deductable.

file: direct Lending

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release **November 30, 1994**

STATEMENT BY THE PRESIDENT

Today the Department of Education announced that its new direct lending program has reached the congressionally mandated benchmark of 40 percent in new loan volume for the next academic year. A total of 1,495 schools will participate in this new program. The program will provide $8 billion in loans to two million students in the next school year.

The American people want a federal government that works better, costs less, and expands opportunities for all Americans. The new direct lending program is an important example of reinventing government to better meet the people's needs.

It will reduce complexity and costs for millions of student borrowers. And the option to repay loans as a percentage of income over time will reduce burdens on young families and make it easier for young people to serve their communities and their country.

The new direct lending program is good news for taxpayers as well. Financial analysts in a recent Morgan Stanley newsletter have already described this new program as a "budgetary winner" that will "lower government spending and reduce the deficit." Over the long term, we expect to save taxpayers $4.3 billion once this program is fully up and running. Direct lending represents the most innovative student financial aid program since the creation of the Pell Grant program in 1973, more than 20 years ago.

Government can work better, cost less, and direct lending proves it.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release November 30, 1994

STATEMENT BY THE PRESIDENT ON DIRECT COLLEGE LOANS

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File: Direct Lending

Government can work better, cost less, and direct lending proves it.

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11-30 4:30p

Education Department Adds More Schools to Direct Loan Program
By KIM I. MILLS
Associated Press Writer

WASHINGTON (AP) - The Education Department added 346 schools Wednesday to the list of those already offering federal loans directly to students.

A total of 1,495 schools representing 40 percent of the total loan volume are now in the program, according to Education Secretary Richard Riley.

"We are determined to take the expense and confusion out of how students finance and pay for higher education," Riley said at a news conference at American University, one of the schools already participating. "We are working hard to make this loan process simple, easy and efficient."

The government guarantees about $18 billion in student loans issued under the Federal Family Education Loan Program. Riley said the direct-lending program will save taxpayers $4.3 billion over five years that otherwise would have gone to lenders for insurance fees.

Under direct lending, the federal government makes the loans to students through schools, eliminating the need for students to go through banks and other private lenders.

Benjamin Ladner, president of American University, called direct loans "an extraordinary program that has made a great deal of difference."

"In general, it has meant for us that these loans have been processed in record time," he said. "Parents do not get late-night phone calls to transfer funds immediately."

To prove his point, Ladner had his financial aid office demonstrate the program for reporters. Jennifer Graham, a senior from Newport News, Va., signed a form accepting her loan award. A financial aid officer then called up her application on a computer screen, executed a few commands and within moments, three copies of her loan papers popped up on a printer. Graham signed the papers, and the loan was final. The money will be in her bank account Thursday, compared to a six-week waiting period under the old system.

Critics of direct lending point to the problems the government has had in reining in default costs. The Coalition for Student Loan Reform, a group of three dozen 35 nonprofit guarantors of student loans, issued a statement urging schools to reconsider joining the program.

more...

Education Department Adds More Schools to Direct Loan Program

continued...

Mark R. Cannon, executive director of the coalition, said many colleges and universities already are taking a wait-and-see approach before signing up for "this untested government experiment."

The government has been phasing in the direct-loan program, beginning at 104 colleges in the 1994-95 school year. Riley said Wednesday he has a list of 500 schools waiting to join.

But Cannon said "a number of institutions that showed up on previous lists as having expressed interest in being part of the program have subsequently withdrawn." He declined to name them but said they were "universities of various sizes."

As part of the program, borrowers with low incomes can choose a 25-year payback plan with monthly payments of between 4 percent and 15 percent of their salaries. After 25 years of repayment, any remaining debt would be forgiven.

Others could choose a 30-year payback plan, or the traditional 10-year loan.

Washington Times, December 1, 1994. P. 8

Schools added to direct-loan program

The Education Department yesterday added 346 schools to the list of those already offering federal loans directly to students. The total now is 1,495.

The government guarantees about $18 billion in student loans issued under the Federal Family Education Loan Program. Education Secretary Richard Riley said the direct-lending program will save taxpayers $4.3 billion over five years by not paying lenders for insurance fees.

Under direct lending, the federal government makes the loans to students through schools, eliminating the need for students to go through banks and other private lenders.

Republican Rise Reopens Feud Over Direct Lending Volume

The student aid community may be in for a repeat of last year's battle over how far to phase in the Direct Student Loan (DSL) program.

Congressional Republicans taking power in January might try to cap the volume of loans the Education Department may fund under the new Ford DSL program, a House aide said recently.

That would check ED's plans to eliminate the Family Education Loan (FEL) program and replace it with DSL.

Each program's proponents may be back in the ring for what could be a repeat of a bitter first round of lobbying when Congress created DSL last year.

"It seems to me that direct lending ... is antithetical to what [Republicans are] about in terms of getting the federal government" out of running major programs, said Jean Frohlicher, president of the National Council of Higher Education Loan Programs (NCHELP).

Under DSL, student loans are made through ED and postsecondary schools, rather than private lenders and guarantors the FEL program relies upon.

When Congress created DSL in the 1993 budget reduction law, it set a goal for ED to filter 60 percent of new loan volume through the program by the 1998-99 academic year.

However, it did not limit the loan volume and ED says it intends to phase out the FEL program by then.

ED today plans to announce the addition of up to 500 schools to the program to reach the 40 percent volume target for the 1995-96 year.

Rep. William Goodling, R-Pa., and Sen. Nancy Kassebaum, R-Kan., who are expected to take control of congressional education panels, both opposed a full switch to DSL during last year's debate.

A Goodling aide said recently that the GOP may try to cap DSL volume at the 60 percent level.

But observers say Congress may struggle to lower that level because DSL was created as a budget-cutting measure. By ending the subsidies ED pays to banks in FEL, Congress estimates direct lending will save $4.3 billion over five years.

"If they want to cap it below 60 percent ... then they'd have to come up with offsetting savings," said Larry Zaglaniczny, government relations director of the National Association of Student Financial Aid Administrators. "That's tough to do."

Going Slowly

Despite the specter of DSL battle, the student aid community has yet to stake out firm positions on the issue.

Before DSL will become the top issue, many say they face other clashes over budget issues.

The American Council on Education (ACE) would balk at any course reversal back toward the FEL program, said Becky Timmons, ACE's congressional relations director.

The higher education community's main lobbying group also would oppose any budget-saving measure that would force schools or students to pay extra fees in exchange for lowering DSL caps.

NCHELP, which represents FEL backers, is still laying the groundwork to lobby a Congress with more than 90 new members.

"We have not gone into motion to urge anyone to do anything specific" on DSL, Frohlicher said.

"Our concern is ... that there be a fair competition," she said, "that both programs be allowed to function without interference."
--David Hoff

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Higher Ed On Defensive To Keep Loan Subsidies, Aid Programs

When Congress starts its new session in January, higher education lobbyists will be fighting a GOP effort to slash student aid programs and end an interest-free grace period on student loans.

The House Republicans' agenda, their "Contract with America," calls for eliminating three programs and the "in-school interest subsidy" on student loans, changes that would cut $12.4 billion over five years in higher ed spending, according to Congressional Budget Office figures cited by the American Council on Education (ACE).

CBO estimates the federal government would save $9.7 billion by scrapping the interest subsidy, the grace period during which it makes interest payments for students up to six months after they leave school.

But eliminating the subsidy would increase by 20 percent the cost of a four-year degree for students borrowing the maximum level of $17,125, ACE says in a briefing paper on the Republican agenda.

The price of graduate and law degrees would rise about 30 percent because those students would pay interest over a longer period, ACE says.

Fighting For Survival

On top of the impact on students, eliminating the subsidy would undermine the federal loan programs and might drive postsecondary schools out of it, higher ed advocates say.

"What keeps schools that have access to capital elsewhere in the program?" Sarah Flanagan, vice president for government relations for the National Association of Independent Colleges and Universities, asked in an interview.

Without the subsidy, banks could offer rates competitive to the federal program, and schools could avoid federal paperwork and regulations.

But students would get stuck with the bill, Flanagan said.

"The reason [federal loans] exist ... is the fact that while [students] are pursuing their studies, they don't have the time bomb of interest ticking on them," she added.

The GOP platform, which House leaders say will come up for a vote by April, also calls for eliminating three campus-based aid programs: the $616.5 million Work-Study program, the $583.4 million Supplemental Educational Opportunity Grants (SEOG) and the $176 million Perkins Loan program.

History Of Survival

Each program has been targeted for cuts before, but survived because appropriators favored them.

For example, President Clinton proposed trimming funds for the Perkins program down to $18 million in fiscal 1995, but Congress decided to give it a $3 million increase, to $176 million.

Likewise, President Bush wanted to cut funding for the Work-Study and SEOG programs in fiscal 1992 and 1993, but Congress gave them slight increases each year.

While the GOP would end funding for each program, it says it would funnel half the savings into the Pell Grant student aid program.
--David Hoff

6.

Education Daily ▪ November 30, 1994 P-4

ED Finalizes Plan To Collect Guarantors' Federal Reserves

The Education Department has issued final rules that allow student loan guarantors to maintain reserves equal to at least 2 percent of their outstanding loan portfolio.

The rules, published in the Nov. 25 *Federal Register*, outline ED's plan to take guarantors' "unnecessary" reserve funds. ED essentially restates its earlier proposal for calculating excess reserves and allowing agencies to appeal that amount.

"There are no substantive changes in the rules," said Donald Feuerstein, a senior ED advisor.

The agreement has the blessing of the National Council of Higher Education Loan Programs (NCHELP). The group represents the nation's 41 federal loan guarantors and seeks to protect the estimated $1.7 billion in federal cash reserves its members hold.

"Basically, the fiscal health of an agency depends on its reserves," said Jean Frohlicher, NCHELP president

Guarantors back lenders' Family Education Loans on behalf of the federal government and reimburse banks for defaulted loans.

Reserves help fund guarantors' daily operations, and agencies are especially edgy about the amounts in light of subsidy cuts in the 1993 Student Loan Reform Act, P.L. 103-66.

ED, however, strives to ensure agencies have no more than they need, because some of the reserves are considered federal funds.

The final regulations, based on six months of negotiations between ED and NCHELP, allow for agency reserves to match 2 percent of uncollected loans.

At present, guarantors are required to maintain minimum reserves equal to 0.7 percent of their outstanding loan portfolio. Controversy arose when the Student Loan Reform Act required negotiators to set a maximum level.

Although the new regulations won't take effect until next July, "we're already using them on an informal basis," Feuerstein said.

For more information, see the Nov. 25 Federal Register or contact Donald Feuerstein, Senior Advisor, Education Department, 600 Independence Ave. SW, Room 4624, ROB-3, Washington, D.C. 20202-5343, (202)401-2280.
--Xavier Briand

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

FAX TRANSMITTAL

TO: Bill Galston, Deputy Assistant to the President for Domestic Policy

ORGANIZATION: The White House

PHONE NUMBER: 202-456-2216

FAX NUMBER: 202-456-2878

FROM: Leslie Thornton, Deputy Chief of Staff and Counselor to the Secretary

PHONE NUMBER: 401-3001

MESSAGE:

CONFIDENTIALITY NOTICE

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_____ PAGE(S) TO FOLLOW

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

December 12, 1994

NOTE TO: GEORGE STEPHANOPOULOS
BILL GALSTON
GENE SPERLING

FROM: LESLIE THORNTON

SUBJECT: DIRECT LENDING UPDATE

On November 7, 1994, the Department's Office of Public Affairs mailed a packet of information with two public service announcements (PSAs) on the Individual Education Account (IEA) to some 11,000 newspapers and magazines across the country. We also mailed seven public service announcements to 11,600 FCC-licensed radio stations in every state. The PSAs, copies of which I believe you have been provided, ranged from 20-45 seconds.

Since these mailings, the Department has been inundated with calls from the print and broadcast media requesting more information about IEAs. We estimate some 150 additional media requests as a direct result of the mailing. In addition, while we have no mechanism to trace air time for the radio PSAs, we have received numerous informational calls from stations that received the PSAs.

Also, there has been a marked increase in the number of inquiries received from the public since the mailings, with special emphasis on the number of calls regarding loan consolidation. For example, during the week of October 31, 2159 callers indicated they had heard about the toll-free number from the media. During the week of November 14, that number was **5,386**. Since early November, our toll-free student aid information number has received almost 100,000 calls (we are averaging 500 to 1000 calls per day).