Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	From: Kathryn Stack, To: G.E. DeSeve, Re: Send in a top notch special team! [partial] (2 pages)	09/23/1997	b(6)

COLLECTION:

Clinton Presidential Records
Automated Records Management System [Email]
OPD ([SLMA, Sallie Mae])
OA/Box Number: 250000

FOLDER TITLE:

[07/29/1997 - 01/15/1998]

2017-1074-F
jn340

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]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:29-JUL-1997 19:34:04.00

SUBJECT: Addition to the packet -- please review

TO: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Jill M. Blickstein (CN=Jill M. Blickstein/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

CC: Joseph M. Wire (CN=Joseph M. Wire/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: S. A. Noe (CN=S. A. Noe/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Timothy A. Rosado (CN=Timothy A. Rosado/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
I was out this afternoon and just came across this. One suggestion, if it's not too late:

Rather than "the largest increase in education investment in 30 years", we prefer "the most significant increase in education investment in 30 years". In trying to develop backup materials for the first statement, which the President made when he announced the deal this spring, we discovered that BA and outlays histories include some anomalies (e.g., change to credit reform accounting; one-time Sallie Mae repayment) that make it hard to defend the statement with numbers alone. Fortunately, someone in the WH started referring instead to "most significant increase" in some of the later descriptions of the deal. We prefer that characterization, if we can get it changed.
---------------------- Forwarded by Kathryn B. Stack/OMB/EOP on 07/29/97 07:13 PM ---------------------------

Barry White
07/29/97 01:57:40 PM
Record Type: Record

To: Kathryn B. Stack/OMB/EOP, Timothy A. Rosado/OMB/EOP
cc:
Subject: Addition to the packet -- please review

If you've done this already, pls shoot a note to Blickstein and Haas. If not, pls do it and so inform them. Thanks.
---------------------- Forwarded by Barry White/OMB/EOP on 07/29/97 01:57 PM ---------------------------

From: Jill M. Blickstein on 07/29/97 11:01:01 AM
Record Type: Record

To: See the distribution list at the bottom of this message
cc: Lawrence J. Haas/OMB/EOP
Subject: Addition to the packet -- please review

NEC tells me there is discretionary info in here we need to check -- mostly education, but also a bit on environment and law enforcement.

Barry -- can you check their statement about "99% of the President's 5-year ndd budget"?

---------------------- Forwarded by Jill M. Blickstein/OMB/EOP on 07/29/97 10:58 AM ---------------------------

Robert M. Shireman
07/29/97 10:56:34 AM
Record Type: Record

To: Jill M. Blickstein/OMB/EOP
cc: Russell W. Horwitz/OPD/EOP
Subject: Addition to the packet -- please review

Spending one-pager is attached

Message Sent
To:
Barry B. Anderson/OMB/EOP
Joseph M. Wire/OMB/EOP
Barry White/OMB/EOP
Ronald M. Cogswell/OMB/EOP
Kenneth L. Schwartz/OMB/EOP

==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D2]MAIL44801790M.216 to ASCII,
The following is a HEX DUMP:

================== END ATTACHMENT 1 ==================

PRESIDENT CLINTON PROTECTED PRIORITY PROGRAM IN EDUCATION, ENVIRONMENT, LAW ENFORCEMENT

The Budget agreement achieves 99% of the President's budget for non-defense discretionary spending over the next 5 years. While priority items are protected, there are $61 billion of savings in non-defense discretionary outlays over the next 5 years -- a 10% real cut by 2002.

LARGEST INCREASE IN EDUCATION INVESTMENT IN 30 YEARS

Just one year ago, Republican budget plans would have frozen education spending, resulting in real cuts in critical programs from Head Start to Pell Grants. The budget agreement endorsed President Clinton's overall plan for investing in education and training -- $63 billion more than the Republican plan over five years. With the tax cuts for education, this represents the largest increase in the Federal investment in education in 30 years. The agreement specifically calls for:

- **Increases funding for Head Start to continue on road to achieve enrollment of 1 million kids in 2002.**
- **Largest Pell Grant increase in two decades - boosts the maximum 1998 Pell grant from $2,700 to $3,000, and expands the program to more poor independent students.**
- **Adopts the President's budget request to launch a child literacy initiative consistent with his America Reads program.**
- **Increases funding for bilingual (27% increase) and immigrant education (50% increase).**
- **Includes all of the $579 million increase in funding requested by the President in his FY 1998 budget of $5.3 billion for Training and Employment Services, including Job Corps.**

BOLSTERS ENVIRONMENTAL ENFORCEMENT AND KEY PROGRAMS

- **Provides a 9 percent increase, to $3.4 billion, for EPA's research, enforcement, and regulatory programs.**
- **Doubles the pace of Superfund cleanups, if policy details can be worked out.**
- **Provides a 6 percent increase for operation of the National Parks, and an 89 percent increase ($238 million) for Everglades Restoration.**

PUTS MORE POLICE ON THE STREET

- **Protects funding for the Community Oriented Policing Services (COPS) initiative, which should put 100,000 more police officers on the street by 2000.**

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Patricia A. Smith (CN=Patricia A. Smith/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:31-JUL-1997 15:40:40.00

SUBJECT: SLMA

TO: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Treasury called. SLMA voted to privatize, but Hough's group is out.
Treasury is sending a statement of what the new company will do -- like
making student loans.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:31-JUL-1997 15:41:55.00

SUBJECT: BRIEF report on today's meeting of the steering committee of the working group on financial markets

TO: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Melissa Green (CN=Melissa Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Probably the most important item is that none of the principals are pressing for a quick meeting, and given that it's summer anyway, I would assume there will not be a principals' meeting before late September.

On substance,
The CEA bill is stalled. The Merc apparently has decided that the bill as drafted would have given a competitive advantage to the Board of Trade, so it has withdrawn support. Lugar says he won't move anything until they come to some terms, and for all he cares, it can wait until 2000.
Treasury and (perhaps) the CFTC will not support any bill that does not result in a clarification of the Treasury amendment.
The Sallie Mae shareholders vote is today. Privatization will certainly win, and it looks now as if the dissidents may win too. Treasury has set up a special office to monitor Sallie Mae GSE in its new role as a subsidiary of an unregulated holding company. The issues will be mainly capital and firewalls.
Working group members are working on the final edits on their report to Mr. Dingell on recent actions the agencies have taken to reduce risk in the financial markets. I have just gotten a copy of the draft and will read it over the weekend. It will not be out before late next week.
The agencies are responding to a draft GAO study on derivatives, which can best be descirbed as having malaise. The agencies will probably be able to tone it down some, as well as fix inaccuracies, before it comes out, but the tone probably won't change. GAO has asked for comments by August 8. If we're lucky, they'll put it out while Congress is in recess and the press is on the Vinyard, but my guess is they'll wait for them to return.

CFTC has reorganized and now has an international office, which will be headed by Andrea Corcoran, who had been in charge of trading and markets forever. They're trying to do a quick search for a new head of trading and markets.

Ellen

Clinton Presidential Records
Automated Records Management System [EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2009-1006-F

Bucket: OPD

Creation Date: 1997-08-07

Subject: Update on service activities for Erskine meeting today

Creator: Diana Fortuna CN=Diana Fortuna/OU=OPD/O=EOP [OPD]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:25-AUG-1997 16:00:31.00

SUBJECT: scheduled interest rate change

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
FYI
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 08/25/97 03:59 PM ---------------------------

Patricia A. Smith

08/25/97 03:50:45 PM

Record Type: Record

To: Robert M. Shireman/OPD/EOP
cc: Barry White/OMB/EOP, Kathryn B. Stack/OMB/EOP
Subject: scheduled interest rate change

I had lunch with Judy Kennedy this noon. She tells me in no uncertain terms that the key issue on the rate due to go into effect July 1, 1998, is the reduced yield, not the 10-yr. bond vs. the 91-day T. She is most frustrated with her collegues at SLMA and the banks for obfuscating the issue with excessive talk about hedging and swapping. The key issue is the yield.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 8-SEP-1997 14:05:25.00

SUBJECT: Re: WH press guidance on Direct Student Loan consolidation

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

CC: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
I'll need help from Wayne figuring out how to get your answer on the cost of consolidating into FFEL. I think ED (William) has done some analysis, but I'd prefer not to jump in to Pat and his line of communication without some clear marching orders.

On Bob's earlier questions on short-term strategy, here are some ideas.

On the management reform front, in addition to the IRS MMB, there was also some recent experience with SBA where a number of "government credit experts" were brought together (under the auspices of the CFO Council, the PCIE (IGs), and the Federal Credit Policy Working Group) to do an in-depth review of SBA loan operations and make a report to the Administrator. DeSeve may want to use some variation of this as one of the activities of the SFA Mgmt Advisory Board.

On loan consolidation in particular, I'm afraid fixing the EDS contract/process (the approach ED has taken) may not be easy or feasible in the short term. If the Administration believes that getting loan consolidation up and running ASAP is an extremely high priority, it may be time to look at some very different ways of getting the work done. Here's an option (I'm sure I needn't tell you how I came up with it), that could be done if both Treasury and ED were given clear marching orders from OMB and the WH:

-- Right now, Treasury has existing arrangements with several banks for electronic collections and processing, and these banks in turn have relationships with the major credit card processors. I believe these arrangements could be tapped by Treasury to support student loans, without requiring a long, drawn-out procurement process. (Note - Treasury staff are likely to resist this, but if Rubin was committed, it could be done.)

-- Within the next couple of days, officials from OMB, ED and Treasury could explore with the banks and card processing companies the possibility of taking on loan consolidation functions using banking practices.

-- Under one possible scenario, individuals wishing to consolidate would be given a phone number (a banking or card company) to contact. The bank or card company would ask for specified information, and if the information provided met guidelines developed by ED (with Treasury's assistance), then the "consolidation" loan would be issued within x number of days (less than a week or two).

-- Bank capital would be used to make the consolidation loans, and banks would either (1) be reimbursed as soon as proper documentation was provided, subject to a post-audit, and the loan was transferred to an ED servicer; or (2) be reimbursed through a different fee structure that assumes the banks hold the loans for servicing (this might solve ED's looming servicing problems, but options for handling of ICR would need to be thought through carefully.)

-- Multiple banks and card servicers would be able to participate, ensuring competition that would help establish a reasonable fee structure. The current EDS contract could continue as well (maybe with competition, and being given a free-hand to redesign its process, EDS could make itself efficient)

-- Sallie Mae could also be given the option of providing services, at the same fee levels set for the banks and card companies.

On leadership, government folks who are extremely knowledgeable of the banking and financial services sector, or who otherwise know how to get things done:

John Koskinen (not out of the question. I actually mentioned the idea to him at his going away party.)
Dennis Fischer (CFO at GSA. Knows banking and the card services industry)
Don Hammond (sp?) (Dep Asst Fiscal Secretary at Treasury)
Jack Radzikowski (OMB's systems branch head. Knows cards but also knows how to partner with the private sector)

I'm sure DeSeve and Raines know of others. By the way, Raines is really hot on the efficiency of card companies these days. I didn't suggest the strategy above to further my husband's agenda, but rather because under current current circumstances, I'm assuming any and all options should be on the table, and this is an option Raines might actually think is worth exploring.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:12-SEP-1997 15:08:48.00

SUBJECT: Non-EDS Options

TO: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Pauline_Abernathy (Pauline_Abernathy @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

TEXT:
Following up on my phone conversation with Pauline, here are some thoughts on a strategy for looking at other options on loan consolidation (while ED continues to work on modifying the EDS contract).

- Vicky McDowell (874-6660), in Treasury's Financial Management Service, is in charge of government-wide debt collection. Treasury has two existing arrangements that may be worth exploring: (1) servicers that collect debt for other Federal agencies that she thinks may be able to do loan consolidation; and (2) the IEI arrangements which Treasury uses to get banking services. I talked with Vicki this morning and she would be interested and available to help the Department explore both these options. If further investigation shows that banks or Treasury's debt servicers could take on the lc job, there's authority for cross-servicing with Treasury under the Debt Collection Improvement Act that ED might be able to use to move the work over.

- Tom Stanton (965-2200) could be helpful on this, and under his Treasury contract, I think he could start right away. He could do the market research with lenders and the financial services entities, and if there's promise here, work with ED on how to plug in to them. Treasury has already set aside its own 97 money for Stanton to help ED, so this would be a freebe. Stanton could also (with Feuerstein) explore the Sallie Mae option.

- As Ed DeSeve suggested yesterday, PW has banking experts (probably not the folks working on the EDS contract) that could be brought in under ED's existing contract.

- ED used to have a "financial advisor" contract that it could use on an as-needed basis. Dave Dexter in the CFO's office used to oversee it. If it's still in place, it might be another good way to get some private sector expertise.

I know talented bodies, money, and time are scarce at ED right now, but there's the making of a fairly low-cost team effort here that might be able to generate some alternatives for loan consolidation for the longer term, and perhaps even the short term. If I can be of help on this, let me know.

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

Collection: 2017-1075-F

Bucket: OPD

Creation Date: 1997-09-12

Subject: two questions

Creator: Russell W. Horwitz CN=Russell W. Horwitz/OU=OPD/O=EOP [OPD]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:15-SEP-1997 14:58:13.00

SUBJECT: Re: Non-EDS Options

TO: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
I have sat through numerous OMB presentations of late on Raines Rules (including presentations by Raines himself) where the critical message is "don't try to create something that already exists in the private sector". ED's version of following Raines Rules was to develop their own RFPs that bear no relationship to the way the financial services industry does business, with the result that no decent bids have come in and now ED is stuck with a dismal contractor, having spent millions on development costs that might have been unnecessary.

The approach Raines and other parts of OMB have been advocating is to first do the market research and talk to the entities that already do the kind of work you want done, so you can eliminate or minimize development costs and "harness the efficiencies of the market" (the phrase ED tries to use to describe what direct lending is supposed to do, but currently doesn't). ED's interest in exploring the Sallie Mae option was not pushed on them from OMB, but I think it's quite consistent with the policy guidance OMB has been sending out and talking about with CFO's and CIOs.

Barry - Maybe I'm just not close enough to the issues yet. But I would argue that there's merit to looking at any option that reduces costs and improves service. Once the options are on the table, good managers with good policy sense can weigh the risks. In its purest form, a "performance-based " approach to loan consolidation would have ED agreeing to pay a set fee for each loan consolidated by private sector entities who have the capacity to do it (without ED taking on the risk of development costs, as they did with EDS.) Under that scenario, I don't know why you'd need or want to rule out Sallie Mae participation.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Barry White (CN=Barry White/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:15-SEP-1997 13:38:20.00

SUBJECT: Re: Non-EDS Options

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Well, you are a more trusting soul than I, both of the Department's ability and willingness to write a tight contract (and enforce it) as well as of Sallie Mae's ability to control itself when it has consolidations in its grasp -- its kind of like being comfortable putting the canary in the cat's mouth because the cat has assured us he won't bite and swallow.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Barry White (CN=Barry White/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:15-SEP-1997 11:36:55.00

SUBJECT: Re: Non-EDS Options

TO: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
A "Sallie Mae option?!" Leave us remember who the enemy is, please. Sallie Mae fought to become the bailout manager for HEAF to protect its own investment. Consolidation lending by the Federal government is hitting them right in their profit center. Putting them into something whose failure is so central to the failure of direct lending would be bizarre. I hope Education is not seriously thinking about this. It would be even worse, strategically, than their notion of handing DL servicing over to guarantee agencies.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:15-SEP-1997 14:15:30.00

SUBJECT: Re: Non-EDS Options

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TEXT:
Thank you. I am positive that if the question was put to Raines or DeSeve of whether we should exclude Sallie Mae or banks from the list of alternative service providers we consider, they both would say of course not. If they can provide the best service at the cheapest rate (and not get us locked into an arrangement where they can take us to the cleaners later on) then why not use them. It's very hard for me to raise that issue directly. But anything you can do to help get this issue out in the open, and looked at rationally, is appreciated.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:15-SEP-1997 14:37:55.00

SUBJECT: Re: Do you have any suggestions

TO: Don_Feuerstein (Don_Feuerstein @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

TEXT:
You have good talking points on Sallie Mae's profitability, yes? Anything a little broader that I can use?

Don_Feuerstein @ ed.gov
09/15/97 02:09:00 PM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Re: Do you have any suggestions

If its Chuck Babcock from the Washington Post, Larry Oxendine has already had extensive discussions witm him and should answer any further questions. If its someone else, I suppose that I'm the most likely suspect.

______________________________ Reply Separator
____

Subject: Do you have any suggestions
Author: Robert_M._Shireman@oa.eop.gov at Internet
Date: 09/15/97 1:19 PM

Message Creation Date was at 15-SEP-1997 13:19:00

for someone who could talk to a reporter about excess profits in the
student
loan program?

================== ATTACHMENT 1 ==================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01INOAAW6JYO00DQAP@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Mon,

15 Sep 1997 14:07:56 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INOAATY6G000B8F2@PMDF.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Mon, 15 Sep 1997 14:07:54 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01INOAA9ZP9U0053VM@STORM.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Mon, 15 Sep 1997 14:07:26 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.5/8.8.4) with SMTP id OAA14645 for
<Robert_M._Shireman@oa.eop.gov>; Mon, 15 Sep 1997 14:04:59 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.11 Enterprise) id 0002D102; Mon,
15 Sep 1997 14:06:31 -0400
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Pauline_Abernathy@ed.gov@INET@LNGTWY (Pauline_Abernathy@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-SEP-1997 22:18:59.00

SUBJECT: Final ED testimony on loan consolidation

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: G. E. DeSeve@EOP (G. E. DeSeve@EOP [OMB])
READ:UNKNOWN

TO: Wayne Upshaw@EOP (Wayne Upshaw@EOP [OMB])
READ:UNKNOWN

TO: Kathryn B. Stack@EOP (Kathryn B. Stack@EOP [OMB])
READ:UNKNOWN

TO: Barry White@EOP (Barry White@EOP [OMB])
READ:UNKNOWN

TEXT:

Below is the final testimony. Thank you all for your help with it. Because many of you cannot read items sent as attachments, I am putting it in the text of the email. However, because of its length the system forces me to send it in two pieces. Pauline

Statement by
Marshall S. Smith
Acting Deputy Secretary
U.S. Department of Education

before the Subcommittee on Postsecondary Education, Training, and Life-Long Learning
U.S. House of Representatives Committee on Education and the Workforce
on
The William D. Ford Direct Loan Consolidation Program

September 18, 1997

Mr. Chairman and Distinguished Members of the Committee:

Thank you for inviting me to be here today. I am pleased to have the opportunity to clarify for the committee the problems we and our contractor, Electronic Data Systems (EDS), have experienced in administrating the loan consolidation process of the William D. Ford Direct Loan Program and the steps taken to address those problems.

I will not attempt to minimize these problems today. The stories we heard in testimony this morning are the types of experiences that have led the Department to its recent actions. On behalf of the Secretary, I would like to apologize to David Whelan, Angela Jamison, and others like them for the unacceptable quality of service they received. We are very aware of these problems and deeply committed to solving them.

That is why, on August 26, 1997, we told EDS to temporarily delay the last phase of the consolidation process while it took immediate action to correct deficiencies in its current process. With new controls in place and the approval of Price Waterhouse, the independent quality control unit on this project, EDS began last week to phase-in production of loan funding and booking, the final stage of loan consolidation. We also told EDS to temporarily stop accepting new loan applications effective August 27, 1997 so it can eliminate the backlog of applications that have accumulated since it took over this contract last fall.

Consolidation is the process of combining several loans into a single loan. Most borrowers consolidate their loans after they complete their education. The origination of a new single loan is not affected by the problems of consolidation. The direct loan program continues to run smoothly for today's students.

We deeply regret the inconvenience the temporary delay has caused to borrowers from these actions, but believe that this is ultimately the best way to ensure quality service to all borrowers wishing to consolidate their loans into direct student loans.

Addressing Borrowers' Concerns

Borrowers are our top priority: we are committed to ensuring that no additional borrowers are harmed. To this end, we are working with EDS to take several important steps:

First, EDS will contact all borrowers who have already consolidated their loans into the direct loan program to confirm their satisfaction with their consolidation loan and to address any outstanding problems they may have.

Second, for the borrowers whose applications are currently in the system, we have made forbearance available upon request. While in forbearance, a borrower may choose not to make payments or to make partial payments without penalty, although interest continues to accrue if it is not paid. In addition, they may be eligible for deferment.

Third, there are some borrowers in the system for whom EDS is currently awaiting information in order to complete the consolidation process. EDS is contacting all of these borrowers again in order to facilitate the processing of their applications.

Fourth, EDS will establish a special hotline to counsel any borrower who anticipates that he or she may default on his or her current obligations while awaiting the completion of the consolidation request.

Fifth, EDS is working collaboratively with lenders to verify information about the precise amount that each borrower owes on his or her loans.

Sixth, EDS is contacting each of the borrowers who has expressed interest or applied for a direct loan consolidation after August 26, 1997, but whose application EDS has not accepted due to the temporary suspension. EDS is counseling them about their alternatives to direct loan consolidation right now. One possibility for these borrowers is to continue making payments on their loans until direct loan consolidation becomes available. Borrowers also have the option to request deferment or forbearance. A third option for borrowers would be to consolidate their FFEL loans with a FFEL lender.

Let me now turn to how we are addressing the problems of consolidating loans at EDS.

EDS is implementing a plan it developed with the Department and Price Waterhouse to complete the consolidation process for the applications it received prior to August 27. The plan includes EDS accepting new applications no later than December 1, and sooner if Price Waterhouse certifies that EDS has met certain performance criteria.

Today, I will describe the actions the Department has taken to address the problems with the loan consolidation system. I will also discuss steps the Department is taking to improve and modernize its student aid programs. First, however, I would like to put these problems in perspective.

The Department's Student Aid Responsibilities

Each year, the Department promptly and efficiently delivers financial aid to millions of America's students. Despite the challenges facing the direct loan consolidation program, the student aid system as a whole is stronger than it has been in years. For example:

In fiscal 1997, through our contractors, we supported the delivery of more than $36 billion in grants, loans, and work-study funds to 7 million of America's students, including $6 billion in Pell Grants, $3 billion in Campus-Based aid, $9.5 billion in direct loans, $17 billion in Federal Family Education Loans (FFEL). An additional $5 billion in consolidated loans was provided to 500,000 borrowers.

With a strong charge from Congress in 1992, our initiative to improve the FFEL program has helped cut the cohort default rate in half, from 22.4 percent in 1990 to 10.7 percent in 1994, the last year for which figures are available. Collections on defaulted FFELs have more than doubled, from $1 billion in fiscal year 1992 to $2.2 billion in fiscal 1996.

During fiscal 1997, the Department's private-sector contractor processed 9.5 million Free Applications for Federal Student Aid (FAFSAs) and we are now sending out next year's FAFSAs earlier than ever before.

The Department has also launched FAFSA on the Web, a free, secure Web site that allows students to submit their FAFSA over the Internet. FAFSA on the Web gathers more accurate data because of automatic prompts to resolve inconsistent or conflicting entries. It has been awarded the prestigious national "Lycos Top 5 Percent of the Web" award.

The National Student Loan Data System (NSLDS) now contains information on 34 million past and present financial aid recipients and is routinely used in pre-screening applicants for federal aid. From January 1995 through the first half of 1996, NSLDS identified more than 125,000 applicants as prior defaulters, helping to prevent as much as $385 million in loans and Pell grants to ineligible students.

916 schools have been removed from student aid programs over the past four years, including 693 schools from all student aid programs and an additional 223 from federal loan programs, for reasons that include high default rates, a strong recertification requirement, and withdrawals.

The Department cleared the backlog of 2,263 appeals from over 600 schools in the last 18 months that had been determined to be ineligible for student loan programs. Because institutions remain eligible while on appeal, the backlog of unresolved appeals had substantially hindered the Department's enforcement efforts.

Since its inception in 1994, the direct loan program has provided a simpler, more automated, and more accountable system for borrowers and participating institutions. In just three years, students and schools have witnessed the development of an improved level of customer service in financial aid delivery.

The success of the Department's efforts is reflected by the rapid growth of the program. The number of schools actively participating in the program has increased from 104 in the first year to roughly 1300 today, and their volume represents approximately one-third of the $30 billion market in new student loans. To give you a point of comparison: nearly nine years after the break-up of AT&T, it had not yet lost one-third of the market share it had as a monopoly.

The growth is particularly impressive in light of the fact that the future of the program has been debated continuously, dissuading some schools from joining the program. The program has distributed $9.5 billion in new student loans this year because of the excellent service it provides to students and schools.

Furthermore, competition from the direct loan program has forced FFEL lenders and servicers to improve their customer service as well. As the Advisory Committee on Student Financial Assistance wrote in its August 1996 report, "Competition from the federal direct lending program since its inception three years ago has improved the FFEL program significantly."

Direct Loan Consolidation

Nonetheless, it is true that the loan consolidation program is facing serious challenges. Of the 142,856 borrowers who have applied to have their loans consolidated through the direct loan program, EDS has consolidated the loans of 53,711 of them. The applications of 84,078 borrowers are still pending and 5,067 borrowers withdrew their application or failed to submit a promissory note after repeated reminders.

Table 1. Status of Consolidation Applications Received by EDS

Applications Received	142,856
Applications in Process	84,078
Applications Withdrawn	5,067
Completed Consolidations	53,711

As background, our first direct loan contractor, Computer Data Systems Inc. (CDSI), initiated its loan consolidation process in March 1995. The CDSI process was personal computer-based and relied heavily on manual procedures. When the contract came up for renewal, EDS, a leading private-sector firm with an international reputation for managing large computer systems, was awarded the competitive contract based upon its proposal for a technologically sophisticated, client-based process that would provide lower cost and a greater capacity for increased volume.

EDS was required to pass a rigorous systems testing process developed by the Department and approved by Price Waterhouse. After all required phases of testing were successfully completed with approval from Price Waterhouse, the Department allowed EDS to assume direct loan consolidation operations on September 16, 1996.

Despite extensive testing and review, EDS experienced systems problems in part because of some processes incorporated into the system to reduce the need for manual intervention that created some new, undetected problem areas.

Consolidating student loans is like consolidating several mortgages on a home, hundreds of times a day. Every consolidation may involve multiple parties, including the consolidator, the borrower, credit bureaus, guaranty agencies, and an average of three lenders. Erroneous, incomplete or late information from any of these parties delays the consolidation. And because loan balances are constantly changing due to the accrual of interest and borrower payments, a lag in the reporting of two pieces of information can become a real obstacle to timely and accurate loan consolidation.

Compounding these obstacles was the sheer volume of loan consolidation applications EDS received. Based upon our experience in the first two years of the program and comparisons with Sallie Mae, the largest private loan consolidator, we anticipated roughly seven thousand consolidation applications per month. In fact, since September 1996, EDS has received roughly twelve thousand applications per month. This volume made it very difficult to trouble-shoot and fine-tune the system while also processing consolidations.

On August 26, 1997, EDS temporarily delayed the final, funding and booking phase of the consolidation process while it took immediate action to correct deficiencies in its processes. EDS also temporarily stopped accepting new loan consolidation applications so it could eliminate the backlog of applications that accumulated since it began consolidating loans last fall. EDS continues to process the applications it has already received and has already resumed the last phase of the consolidation process for some loans.

Most borrowers with only direct loans are not affected by the temporary suspension because their loans are already included in a single payment, and thus may be seen as self-consolidating. Likewise, borrowers with only FFEL loans could consolidate with a private lender, although the terms of consolidation may not be as beneficial.

Borrowers who temporarily cannot apply to consolidate all their loans include those who have both direct and FFEL loans and FFEL borrowers who are unable to secure a satisfactory repayment plan from a FFEL lender.

The Department has faced this problem head-on. As I have previously emphasized, we are deploying every available resource to mitigate the effect on borrowers of the loan consolidation delays. We are also taking decisive action to remedy the problems at EDS.

We increased our staff working on-site with EDS in Montgomery, Alabama. The team included senior Department and Price Waterhouse staff and expert consultants with extensive banking experience that have been added to the EDS staff. Together, we are developing and implementing three plans: (1) to improve the direct loan consolidation process immediately and complete the pending applications; (2) to remedy errors made in previous consolidations, and (3) to re-engineer the process to increase capacity and improve timeliness and accuracy over the long-term.

First, working with the Department, EDS developed and implemented a plan, reviewed by Price Waterhouse, to establish new procedures to improve the timeliness and accuracy of the loan consolidation process immediately and complete the pending applications. EDS began implementing this plan on September 12. New procedures include:

- Re-aligning staff responsibilities to address process bottlenecks;
- Increasing the use of the National Student Loan Data System to verify student information;
- Establishing hotlines between EDS and lenders to verify loan information;
- Devoting additional staff to obtaining up-to-date information to ensure accurate consolidations;
- Improving the process for verifying eligibility for income-contingent repayment with the Internal Revenue Service;
- Upgrading the document imaging system to reduce errors; and
- Establishing standard reporting procedures for lenders to reduce burdensome data entry.

EDS is now using these new procedures to consolidate applications currently in the system. In addition, EDS will be required to commit additional resources to the project if Price Waterhouse and the Department determine on October 6 that it has not met its weekly production targets.

EDS is also preparing for an anticipated surge of loan consolidation applications after EDS begins processing new applications. EDS has assured us that the new procedures will allow them to handle those loans in a timely and accurate manner. In order to resume accepting new applications, EDS will have to meet six key performance indicators:

No more than a two-week inventory of certifications (15,000 certifications or fewer);
100 percent accuracy rate on data entry on promissory notes and certifications;
Increased accuracy rate, acceptable to the Department and Price Waterhouse, on a statistical sample on promissory note writing;
All problems with transactions submitted to servicing are resolved within 72 hours;
EDS performs to the Department and Price Waterhouse-approved plan for resolving prior errors; and
Demonstration to the satisfaction of the Department and Price Waterhouse that its system can track status of all applications, including exceptions.

Second, by the end of the month EDS will finish a separate plan to correct inaccurately consolidated loans. EDS will undergo 100 percent validation for all loans. The plan will be reviewed by the Department and Price Waterhouse before it is implemented. It is of the utmost importance to us to rectify these errors and ensure future accuracy.

Finally, both EDS and Price Waterhouse have submitted long-term plans to fully re-engineer the loan consolidation process. These proposals are expected to lead to substantial improvements in the loan consolidation system's capacity, accuracy, and timeliness. EDS will implement a re-designed process by April 1998.

[Continued in next email]=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01INRJS8X2EO00GWRQ@PMDF.EOP.GOV>; Wed, 17 Sep 1997 22:12:25 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INRJS54FF4006529@PMDF.EOP.GOV>; Wed,

17 Sep 1997 22:12:20 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01INRJRYWPK80059Y9@STORM.EOP.GOV>; Wed,
17 Sep 1997 22:12:10 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.5/8.8.4) with SMTP id WAA21348; Wed,
17 Sep 1997 22:09:41 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.11 Enterprise) id 0003159D; Wed,
17 Sep 1997 22:12:20 -0400
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Pauline_Abernathy@ed.gov@INET@LNGTWY (Pauline_Abernathy@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-SEP-1997 09:07:33.00

SUBJECT: Re[2]: testimony

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: Wayne Upshaw@EOP (Wayne Upshaw@EOP [OMB])
READ:UNKNOWN

TO: Kathryn B. Stack@EOP (Kathryn B. Stack@EOP [OMB])
READ:UNKNOWN

TEXT:
=

I'm sure I am violating protocol in doing this, but given that the =

system failed us last night, below is the latest version of the =

testimony for you to comment on. I have left messages in OGC =

informing them that you never received it. =

=

You can send comments to James and me directly as well as through th=
e =

normal channels if that will help facilitate clearance.
=

Wayne -- Welcome to the Ed Branch! I look forward to meeting you in=
=

person.
=

=

Subcommittee on Postsecondary Education, Training, and Life-Long =

Learning
U.S. House of Representatives Committee on Education and the Workfor=
ce
on The William D. Ford Direct Loan Consolidation Program
=

September 18, 1997
=

=

Mr. Chairman and Distinguished Members of the Committee:
=

Thank you for inviting me to be here today. I am pleased to have th=
e =

opportunity to clarify for the committee the problems our contractor=
, =

Electronic Data Systems, has experienced in processing direct loan =

consolidations and the steps taken to address those problems. =

=

I will not attempt to minimize these problems today. The stories we=
=

heard in testimony this morning are the types of experiences that ha=
ve =

led the Department to its recent actions. We are very aware of thes=
e =

problems and deeply committed to solving them.
=

To ensure that no more students experience what David Whelan and =

Angela Jamison did, we temporarily suspended two pieces of the loan =

consolidation process on August 26. In order to focus on correcting=
=

the system's deficiencies and problems, we decided to temporarily st=
op =

accepting new applications and the final phases of Direct Loan =

consolidation.
=

With new controls in place, EDS has begun to phase-in production of =

loan funding and booking last week. It will resume full production =
of =

loan funding and booking as soon as procedural improvements are test=
ed =

and validated by the Department and Price Waterhouse, the independen=
t =

quality control unit for this contract. Based on a plan developed b=
y =

EDS with the Department and Price Waterhouse, EDS will complete the =

applications it received prior to September 1 and begin accepting ne=
w =

applications no later than December 1 or sooner if Price Waterhouse =

certifies that EDS has met certain performance criteria.
=

The loan consolidation program has not been "shut down," nor will it=
=

be. The 177 EDS employees dedicated to loan consolidation continue =
to =

process loan consolidations. EDS is working hard to ensure that loa=
ns =

are consolidated accurately and promptly and will begin accepting ne=
w =

applications again as soon as possible. =

=

Today, I will describe the actions the Department has taken and =

delineate the options available to borrowers who wish to consolidate=
=

their loans. I will also discuss steps the Department has already =

taken to improve and modernize its student aid programs. First, =

however, I would like to put these problems in perspective.
=

The Department's Student Aid Responsibilities
=

Each year, the Department promptly and efficiently delivers financia=
l =

aid to millions of America's students. Despite the challenges facin=
g =

the loan consolidation program, the student aid system as a whole is=
=

stronger than it has been in years. For example:
=

=B7 In fiscal 1997, we distributed more than $42 billion in grants,=
=

loans, and work-study funds to 7 million of America's students, =

including $5.7 billion in Pell Grants, $2.8 billion in Campus-Based =

aid,$10.6 billion in Direct Loans, and $17 billion in FFEL loans. =

=

=B7 (Add admin cost figures, if we can get them: budget services)
=

=B7 Our initiative to improve the Federal Family Education Loan (FF=
EL) =

program has helped cut the cohort default rate in half, from 22.4 =

percent in 1990 to 10.7 percent in 1994, the last year for which =

figures are available. Collections on defaulted FFELs have more tha=
n =

doubled, from $1 billion in fiscal year 1992 to $2.2 billion in fisc=
al =

1996.
=

=B7 During fiscal 1997, the Department processed 9.5 million Free =

Applications for Federal Student Aid (FAFSAs).
=

=B7 The National Student Loan Data System (NSLDS) now contains =

information on 34 million past and present financial aid recipients.=
=

It is routinely used in pre-screening applicants for federal aid. =

From January 1995 through the first half of 1996, NSLDS identified =

more than 125,000 applicants as prior defaulters who were ineligible=
=

for additional aid, helping to prevent as much as $310 million in =

future defaults and denying about $75 million in Pell Grants to =

ineligible students.
=

=B7 The Department has removed 916 schools from student aid program=
s =

over the past four years, including 693 schools from all student aid=
=

programs and an additional 223 from federal loan programs. =

=

=B7 The Department cleared the backlog of appeals of eligibility =

rulings by resolving 2,263 appeals from over 600 schools in the last=
=

18 months. Because institutions remain eligible for Title IV funds =

while on appeal, the backlog of unresolved appeals had substantially=
=

hindered the Department's enforcement efforts. =

=

And the William D. Ford Direct Student Loan Program belongs among ou=
r =

success stories. Since its inception in 1994, direct lending has =

provided a simpler, more automated, and more accountable system to =

borrowers and participating institutions. In just three years, =

students and schools have witnessed the development of a level of =

customer service not previously experienced in financial aid deliver=
y. =

=

The success of its efforts is reflected by the rapid growth of the =

program. The number of schools actively participating in the progra=
m =

has increased from 104 in the first year to roughly 1300 today, =

representing one-third of the student loan market after only three =

years. The growth is particularly impressive in light of the fact =

that the future of the program has been debated continuously, =

dissuading some schools from joining the program. =

=

Furthermore, competition has improved the efficiency and customer =

service of the FFEL program as well. (Quote from former head of =

Sallie Mae)
=

These accomplishments are representative of the Department's strong =

record in the area of administrating large and complex student =

financial aid programs. =

=

Loan Consolidation
=

Nonetheless, it is true that the loan consolidation program is facin=
g =

serious challenges. Of the 142,800 applications we've received in t=
he =

last year, 84,000 have not been completed.
=

(LC numbers breakdown; Number apps received in last 3 months)
=

As background, our first direct loan contractor, Computer Data Syste=
ms =

Inc. (CDSI), developed and initiated its loan consolidation process =

during the winter of 1995. The CDSI process was personal =

computer-based and relied heavily on manual procedures. When the =

contract came up for renewal, Electronic Data Systems, a leading =

private-sector firm with an excellent reputation for managing large =

computer systems, was awarded the competitive contract based upon it=
s =

proposal for a technologically sophisticated, client-based process =
that would provide lower cost and greater capacity for increased =
volume.
=

EDS was required to pass an extremely rigorous structured system =
testing process developed by the Department and approved by Price =
Waterhouse. After all required phases of testing were successfully =
completed, the Department allowed EDS to assume loan consolidation =
operations on September 16, 1996. =

=

Consolidating student loans is like consolidating four mortgages on =
a =
home, hundreds of times a day. Every consolidation involves multipl=
e =
parties, including the consolidator, the borrower, credit bureaus an=
d =
several lenders (at least four, on average). Erroneous, incomplete =
or =
late information delays the consolidation. And because loan balance=
s =
are constantly changing due to the accrual of interest and borrower =
payments, a lag in the reporting between two pieces of information c=
an =
become a real obstacle to timely and accurate loan consolidation. =

=

Despite extensive testing and review, EDS is experiencing systems =
problems in part because some solutions incorporated into the system=
=
to reduce the need for manual intervention actually created some new=
=
problem areas that were not detected in testing. =

=

For example, we anticipated that the best source for information on =

loans would be the borrowers themselves. In reality, many borrowers=
=

do not know the value of their loans, or who holds them. =

Time-consuming data entry is necessary because of lenders that repor=
t =

data in their own unique format or do not have the capacity to =

transfer data electronically. =

=

Compounding these obstacles was the sheer volume of loan consolidati=
on =

applications EDS received. Based upon our experience in the first t=
wo =

years of the program, we anticipated roughly seven thousand =

consolidation applications per month. In fact, since September 1996=
, =

we have received an roughly twelve thousand applications per month. =
=

This volume made it more difficult to trouble-shoot and fine-tune th=
e =

system. =

=

On August 26, EDS temporarily delayed the last phase of the =

consolidation process while EDS took immediate action to correct =

deficiencies in its processes. EDS also temporarily stopped accepti=
ng =

new loan consolidation applications so it could eliminate the backlo=
g =

of applications that accumulated since it took over this contract la=
st =

fall. EDS continues to process the applications it has already =

received.
=

It should be noted that borrowers with only Direct Loans are not =
affected by the temporary suspension because their loans are funded =
and serviced solely by the Department and therefore are =
self-consolidating. Likewise, borrowers with only FFEL loans can =
consolidate their loans into a FFEL consolidation loan, using a =
private lender such as Sallie Mae. The only borrowers who cannot =
consolidate their loans because of the temporary suspension of the =
loan consolidation program have both direct and FFEL loans. In =
addition, we would support legislation that would permit consolidati=
on =
of Direct Loans into FFEL loans by FFEL lenders. =

=

The Department has faced this problem head-on. We are deploying eve=
ry =
available resource to mitigate the effect on borrowers of the loan =
consolidation delays. =

=

We increased our staff working on-site with EDS in Montgomery, =
Alabama. The team included senior Department and Price Waterhouse =
staff and expert consultants with extensive banking experience that =
have been added to the EDS staff. Together, we are developing three=
=
plans to immediately improve the loan consolidation process, remedy=
=
errors made in previous consolidations, and re-engineer the process =
to =
increase capacity and improve timeliness and accuracy.
=

First, the Department and EDS have developed a plan, reviewed by Pri=

ce =

Waterhouse, to establish new procedures to immediately improve the =

timeliness and accuracy of the loan consolidation process. EDS has =

already begun implementing this plan. New procedures include:
=

=B7 Re-aligning staff responsibilities to address process bottlenec=
ks;
=B7 Accessing the National Student Loan Data System to verify stude=
nt =

information;
=B7 Establishing hotlines to lenders to verify loan information; =

=B7 Devoting staff to obtaining up-to-date information to ensure =

accurate consolidations;
=B7 Improving the process for verifying eligibility for =

income-contingent repayment with the Internal Revenue Service;
=B7 Upgrading the document imaging system to reduce errors; and
=B7 Establishing standard reporting procedures for lenders to reduc=
e =

burdensome data entry.
=

(Benchmarks that will be used to measure progress)
=

EDS has already begun to use these new procedures in consolidating =

applications currently in the system. Again, EDS will have completed=
=

all loan consolidations it received before September 1 and resume =

accepting new loan consolidation applications by December 1, and =

sooner if Price Waterhouse certifies that EDS has met certain =

performance criteria. EDS will be required to commit additional =

resources to the project if the Department determines that it has no=
t =

met its weekly production targets by October 6.
=

In the meantime, EDS is informing all borrowers who have applied to =

consolidate their loans since the suspension of applications about =

alternatives to the Direct Loan consolidation program, including FFE=
L =

consolidation, deferment and forbearance. EDS is also storing their=
=

names and addresses and will notify them when the consolidation =

program is again accepting applications. The Department is in the =

process of contacting FFEL loan holders to encourage them to honor =

borrowers' requests for administrative forbearance while they are in=
=

the process of consolidating loans in the Direct Loan program.
=

The Department and EDS are also preparing for an anticipated surge o=
f =

loan consolidation applications after EDS begins processing new =

applications. We are confident that the new procedures will allow u=
s =

to handle those loans in a timely and accurate manner.
=

Second, EDS will finish a separate plan to correct inaccurately =

consolidated loans by the end of the month. The plan will be review=
ed =

by the Department and Price Waterhouse before it is implemented. =

While it is primarily the Department that is affected by loan =

mispayments, it is of the utmost importance to us to rectify these =

errors and ensure future accuracy. (We will also regularly =

communicate with borrowers to keep them fully informed of the status=
=

of their loans.) (How many is this?)
=

Finally, both EDS and Price Waterhouse have submitted plans to =

re-engineer the loan consolidation process. The Department will =

carefully review these ideas as it considers way to improve the =

consolidation process. These proposals are expected to lead to =

substantial improvements in the loan consolidation system's capacity=
, =

accuracy, and timeliness in the medium-term. =

=

Modernization
=

Over the last few years, the Department has undertaken a variety of =

steps to modernize its student financial assistance systems and =

integrate the stovepipe data systems that have developed over many =

years. While the Department has made significant strides in improvi=
ng =

and modernizing the management and delivery of student financial =

assistance, we clearly have much further to go. I am personally =

committed to dramatically changing the way we do business to provide=
=

better service and ensure that we never again face the situation we =

did this summer with loan consolidation. =

=

To that end, I support the concept of transforming the Office of =

Student Financial Assistance into a Performance Based Organization =

(PBO). A PBO would have a Chief Operating Officer who would report =

directly to the Secretary. It would be given greater contracting an=
d =

personnel flexibility than the Department currently enjoys and would=
=

be responsible for managing the delivery of student aid against a se=
t =

of performance measures.
=

But we all know that it is easier to support the creation of a PBO =

than to create one. Many federal agencies have considered them for =

years, but not one has been created within in the federal government=
=

to date. The Department will be looking closely at what changes in =

law and regulations are needed to create a successful PBO and will b=
e =

making recommendations to Congress. =

=

To assist the Department in its management initiatives, including =

studying PBOs, the Department is establishing a Student Financial =

Assistance Modernization Board. The board will advise the Secretary=
=

and the Deputy Secretary on a wide range of student aid management =

issues. =

=

As Acting Deputy Secretary, I will chair the board. Its membership =

will consist of key staff from the Department, Office of Management =

and Budget, and National Economic Council and senior federal officia=
ls =

with expertise in contracting, procurement, and information =

technology. =

=

The board is a significant step toward further improvement in the =

Department's management practices. The board will play a major role=
=

in reviewing and shaping the Department's management initiatives and=
=

will make recommendations on the loan consolidation program, =

contracting procedures, organizational structure and the alignment o=
f =

personnel and functions, and proposals for programmatic and =

administrative simplification.
=

Conclusion
In conclusion, the Department is very concerned with difficulties =

facing the loan consolidation program. We believe, however, that th=
e =

Department's management of the many other student aid programs is =

indicative of our capability to manage the loan consolidation progra=
m =

consistent with the best interests of America's students and =

taxpayers. The course of action that we have chosen is sensible, =

responsible, and will soon pay dividends. =

=

My colleagues and I would be happy to answer any questions you may =

have.
=

=

______________________________ Reply Separator =

____
Subject: Re: testimony
Author: Wayne_Upshaw@oa.eop.gov at Internet
Date: 9/17/97 7:46 AM
=

=

Message Creation Date was at 17-SEP-1997 07:46:00
=

I'm still anxiously awaiting a copy of the testimony. =

=
=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)

id <01INQS1XVWRK0095PO@PMDF.EOP.GOV>; Wed, 17 Sep 1997 08:57:41 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INQS1W458G00BV4U@PMDF.EOP.GOV>; Wed,

17 Sep 1997 08:57:39 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01INQS14UZTQ0057IA@STORM.EOP.GOV>; Wed,
17 Sep 1997 08:57:04 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.5/8.8.4) with SMTP id IAA08834; Wed,
17 Sep 1997 08:54:35 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.11 Enterprise) id 0002FE24; Wed,
17 Sep 1997 08:57:04 -0400
================= END ATTACHMENT 1 =================

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

Collection: 2017-1075-F

Bucket: OPD

Creation Date: 1997-09-18

Subject: Re: 1998 student loan interest rates and Pell independent stude

Creator: Nancy.Coolidge@ucop.edu@INET@LNGTWY Nancy.Coolidge@ucop.edu@INET@LNGTWY [UNKNOWN]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:18-SEP-1997 12:32:26.00

SUBJECT: Final ED testimony on loan consolidation

TO: dbellshaw (dbellshaw @ imsearch.com @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
The Board described below will recommend the hiring of a C.O.O. to carry out the responsibilities described in the second paragraph. That is the position that we are interested in candidates for. I'll forward the entire testimony to give you a sense of the billions of dollars that are managed by the system, and some of the challenges the Department faces.

Excerpt:

To that end, the Department is establishing a Student Financial Assistance Modernization Board. The board will advise the Secretary on a wide range of student aid management issues. The Deputy Secretary will chair the board. Its membership will consist of key officials from the Department, Office of Management and Budget, and National Economic Council and senior federal officials with expertise in contracting, procurement, and information technology, and the Board will draw upon expertise in the private sector and the higher education community.

The establishment of the board is a significant step toward further improvement in the Department's management practices. The board will play a major role in reviewing and shaping the Department's management and modernization initiatives and will make recommendations regarding changes in contracting procedures, information technology plans, organizational structure and the alignment of personnel and functions, programmatic and administrative simplification, and a business plan with performance targets and timelines using best industry practices and new information technology.

We support the fundamental elements of a Performance Based Organization (PBO) for the delivery of student financial aid: a performance-driven organization with greater management flexibility and greater accountability for results. I will ask the Modernization Board to review immediately the elements and suitability of a PBO for the delivery of student financial assistance. A PBO would have a Chief Operating Officer who would report to the Secretary. It would be given greater contracting and personnel flexibility than the Department currently enjoys and would be responsible for managing the delivery of student aid against a set of performance measures.

But we all know that it is easier to support the creation of a PBO
than to create one. Many federal agencies have considered them for
years, but not one has been created within in the federal government
to date. We will be looking closely at what changes in law and
regulations are needed to create a successful PBO and will be making
recommendations to Congress.

--------------------- Forwarded by Robert M. Shireman/OPD/EOP on 09/18/97 12:30 PM ---------------------------

Pauline_Abernathy @ ed.gov
09/17/97 10:02:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Final ED testimony on loan consolidation

Below is the final testimony. Thank you all for your help with it.
Because many of you cannot read items sent as attachments, I am
putting it in the text of the email. However, because of its length
the system forces me to send it in two pieces. Pauline

Statement by
Marshall S. Smith
Acting Deputy Secretary
U.S. Department of Education

before the Subcommittee on Postsecondary Education, Training, and
Life-Long Learning
U.S. House of Representatives Committee on Education and the Workforce
on
The William D. Ford Direct Loan Consolidation Program

September 18, 1997

Mr. Chairman and Distinguished Members of the Committee:

Thank you for inviting me to be here today. I am pleased to have the
opportunity to clarify for the committee the problems we and our
contractor, Electronic Data Systems (EDS), have experienced in
administrating the loan consolidation process of the William D. Ford
Direct Loan Program and the steps taken to address those problems.

I will not attempt to minimize these problems today. The stories we
heard in testimony this morning are the types of experiences that
have
led the Department to its recent actions. On behalf of the Secretary,
I would like to apologize to David Whelan, Angela Jamison, and others

like them for the unacceptable quality of service they received. We are very aware of these problems and deeply committed to solving them.

That is why, on August 26, 1997, we told EDS to temporarily delay the last phase of the consolidation process while it took immediate action to correct deficiencies in its current process. With new controls in place and the approval of Price Waterhouse, the independent quality control unit on this project, EDS began last week to phase-in production of loan funding and booking, the final stage of loan consolidation. We also told EDS to temporarily stop accepting new loan applications effective August 27, 1997 so it can eliminate the backlog of applications that have accumulated since it took over this contract last fall.

Consolidation is the process of combining several loans into a single loan. Most borrowers consolidate their loans after they complete their education. The origination of a new single loan is not affected by the problems of consolidation. The direct loan program continues to run smoothly for today's students.

We deeply regret the inconvenience the temporary delay has caused to borrowers from these actions, but believe that this is ultimately the best way to ensure quality service to all borrowers wishing to consolidate their loans into direct student loans.

Addressing Borrowers' Concerns

Borrowers are our top priority: we are committed to ensuring that no additional borrowers are harmed. To this end, we are working with EDS to take several important steps:

First, EDS will contact all borrowers who have already consolidated their loans into the direct loan program to confirm their satisfaction with their consolidation loan and to address any outstanding problems they may have.

Second, for the borrowers whose applications are currently in the system, we have made forbearance available upon request. While in forbearance, a borrower may choose not to make payments or to make partial payments without penalty, although interest continues to accrue if it is not paid. In addition, they may be eligible for deferment.

Third, there are some borrowers in the system for whom EDS is currently awaiting information in order to complete the consolidation process. EDS is contacting all of these borrowers again in order to facilitate the processing of their applications.

Fourth, EDS will establish a special hotline to counsel any borrower who anticipates that he or she may default on his or her current obligations while awaiting the completion of the consolidation request.

Fifth, EDS is working collaboratively with lenders to verify information about the precise amount that each borrower owes on his or her loans.

Sixth, EDS is contacting each of the borrowers who has expressed interest or applied for a direct loan consolidation after August 26, 1997, but whose application EDS has not accepted due to the temporary suspension. EDS is counseling them about their alternatives to direct loan consolidation right now. One possibility for these borrowers is to continue making payments on their loans until direct loan consolidation becomes available. Borrowers also have the option to request deferment or forbearance. A third option for borrowers would be to consolidate their FFEL loans with a FFEL lender.

Let me now turn to how we are addressing the problems of consolidating loans at EDS.

EDS is implementing a plan it developed with the Department and Price Waterhouse to complete the consolidation process for the applications it received prior to August 27. The plan includes EDS accepting new applications no later than December 1, and sooner if Price Waterhouse certifies that EDS has met certain performance criteria.

Today, I will describe the actions the Department has taken to address the problems with the loan consolidation system. I will also discuss steps the Department is taking to improve and modernize its student aid programs. First, however, I would like to put these problems in perspective.

The Department's Student Aid Responsibilities

Each year, the Department promptly and efficiently delivers financial aid to millions of America's students. Despite the challenges facing the direct loan consolidation program, the student aid system as a whole is stronger than it has been in years. For example:

In fiscal 1997, through our contractors, we supported the delivery of more than $36 billion in grants, loans, and work-study funds to 7 million of America's students, including $6 billion in Pell Grants, $3 billion in Campus-Based aid, $9.5 billion in direct loans, $17 billion in Federal Family Education Loans (FFEL). An additional $5 billion in consolidated loans was provided to 500,000 borrowers.

With a strong charge from Congress in 1992, our initiative to improve the FFEL program has helped cut the cohort default rate in half, from 22.4 percent in 1990 to 10.7 percent in 1994, the last year for which figures are available. Collections on defaulted FFELs have more than doubled, from $1 billion in fiscal year 1992 to $2.2 billion in fiscal 1996.

During fiscal 1997, the Department's private-sector contractor processed 9.5 million Free Applications for Federal Student Aid (FAFSAs) and we are now sending out next year's FAFSAs earlier than ever before.

The Department has also launched FAFSA on the Web, a free, secure Web site that allows students to submit their FAFSA over the Internet. FAFSA on the Web gathers more accurate data because of automatic prompts to resolve inconsistent or conflicting entries. It has been awarded the prestigious national "Lycos Top 5 Percent of the Web" award.

The National Student Loan Data System (NSLDS) now contains information on 34 million past and present financial aid recipients and is routinely used in pre-screening applicants for federal aid. From January 1995 through the first half of 1996, NSLDS identified more than 125,000 applicants as prior defaulters, helping to prevent as much as $385 million in loans and Pell grants to ineligible students.

916 schools have been removed from student aid programs over the past four years, including 693 schools from all student aid programs and an additional 223 from federal loan programs, for reasons that include high default rates, a strong recertification requirement, and withdrawals.

The Department cleared the backlog of 2,263 appeals from over 600 schools in the last 18 months that had been determined to be ineligible for student loan programs. Because institutions remain eligible while on appeal, the backlog of unresolved appeals had substantially hindered the Department's enforcement efforts.

Since its inception in 1994, the direct loan program has provided a simpler, more automated, and more accountable system for borrowers and participating institutions. In just three years, students and schools have witnessed the development of an improved level of customer service in financial aid delivery.

The success of the Department's efforts is reflected by the rapid growth of the program. The number of schools actively participating in the program has increased from 104 in the first year to roughly

1300 today, and their volume represents approximately one-third of the $30 billion market in new student loans. To give you a point of comparison: nearly nine years after the break-up of AT&T, it had not yet lost one-third of the market share it had as a monopoly.

The growth is particularly impressive in light of the fact that the future of the program has been debated continuously, dissuading some schools from joining the program. The program has distributed $9.5 billion in new student loans this year because of the excellent service it provides to students and schools.

Furthermore, competition from the direct loan program has forced FFEL lenders and servicers to improve their customer service as well. As the Advisory Committee on Student Financial Assistance wrote in its August 1996 report, "Competition from the federal direct lending program since its inception three years ago has improved the FFEL program significantly."

Direct Loan Consolidation

Nonetheless, it is true that the loan consolidation program is facing serious challenges. Of the 142,856 borrowers who have applied to have their loans consolidated through the direct loan program, EDS has consolidated the loans of 53,711 of them. The applications of 84,078 borrowers are still pending and 5,067 borrowers withdrew their application or failed to submit a promissory note after repeated reminders.

Table 1. Status of Consolidation Applications Received by EDS

Applications Received	142,856
Applications in Process	84,078
Applications Withdrawn	5,067
Completed Consolidations	53,711

As background, our first direct loan contractor, Computer Data Systems Inc. (CDSI), initiated its loan consolidation process in March 1995. The CDSI process was personal computer-based and relied heavily on manual procedures. When the contract came up for renewal, EDS, a leading private-sector firm with an international reputation for managing large computer systems, was awarded the competitive contract based upon its proposal for a technologically sophisticated, client-based process that would provide lower cost and a greater capacity for increased volume.

EDS was required to pass a rigorous systems testing process developed by the Department and approved by Price Waterhouse. After all required phases of testing were successfully completed with approval from Price Waterhouse, the Department allowed EDS to assume direct loan consolidation operations on September 16, 1996.

Despite extensive testing and review, EDS experienced systems problems in part because of some processes incorporated into the system to reduce the need for manual intervention that created some new, undetected problem areas.

Consolidating student loans is like consolidating several mortgages on a home, hundreds of times a day. Every consolidation may involve multiple parties, including the consolidator, the borrower, credit bureaus, guaranty agencies, and an average of three lenders. Erroneous, incomplete or late information from any of these parties delays the consolidation. And because loan balances are constantly changing due to the accrual of interest and borrower payments, a lag in the reporting of two pieces of information can become a real obstacle to timely and accurate loan consolidation.

Compounding these obstacles was the sheer volume of loan consolidation applications EDS received. Based upon our experience in the first two years of the program and comparisons with Sallie Mae, the largest private loan consolidator, we anticipated roughly seven thousand consolidation applications per month. In fact, since September 1996, EDS has received roughly twelve thousand applications per month. This

volume made it very difficult to trouble-shoot and fine-tune the system while also processing consolidations.

On August 26, 1997, EDS temporarily delayed the final, funding and booking phase of the consolidation process while it took immediate action to correct deficiencies in its processes. EDS also temporarily stopped accepting new loan consolidation applications so it could eliminate the backlog of applications that accumulated since it began consolidating loans last fall. EDS continues to process the applications it has already received and has already resumed the last phase of the consolidation process for some loans.

Most borrowers with only direct loans are not affected by the temporary suspension because their loans are already included in a single payment, and thus may be seen as self-consolidating. Likewise, borrowers with only FFEL loans could consolidate with a private lender, although the terms of consolidation may not be as beneficial.
Borrowers who temporarily cannot apply to consolidate all their loans include those who have both direct and FFEL loans and FFEL borrowers who are unable to secure a satisfactory repayment plan from a FFEL lender.

The Department has faced this problem head-on. As I have previously emphasized, we are deploying every available resource to mitigate the effect on borrowers of the loan consolidation delays. We are also taking decisive action to remedy the problems at EDS.

We increased our staff working on-site with EDS in Montgomery, Alabama. The team included senior Department and Price Waterhouse staff and expert consultants with extensive banking experience that have been added to the EDS staff. Together, we are developing and implementing three plans: (1) to improve the direct loan consolidation process immediately and complete the pending applications; (2) to remedy errors made in previous consolidations, and (3) to re-engineer the process to increase capacity and improve timeliness and accuracy over the long-term.

First, working with the Department, EDS developed and implemented a plan, reviewed by Price Waterhouse, to establish new procedures to improve the timeliness and accuracy of the loan consolidation process immediately and complete the pending applications. EDS began implementing this plan on September 12. New procedures include:

- Re-aligning staff responsibilities to address process bottlenecks;
- Increasing the use of the National Student Loan Data System to verify student information;
- Establishing hotlines between EDS and lenders to verify loan information;
- Devoting additional staff to obtaining up-to-date information to ensure accurate consolidations;
- Improving the process for verifying eligibility for income-contingent repayment with the Internal Revenue Service;
- Upgrading the document imaging system to reduce errors; and
- Establishing standard reporting procedures for lenders to reduce burdensome data entry.

EDS is now using these new procedures to consolidate applications currently in the system. In addition, EDS will be required to commit additional resources to the project if Price Waterhouse and the Department determine on October 6 that it has not met its weekly production targets.

EDS is also preparing for an anticipated surge of loan consolidation applications after EDS begins processing new applications. EDS has assured us that the new procedures will allow them to handle those loans in a timely and accurate manner. In order to resume accepting new applications, EDS will have to meet six key performance indicators:

- No more than a two-week inventory of certifications (15,000 certifications or fewer);
- 100 percent accuracy rate on data entry on promissory notes and certifications;

Increased accuracy rate, acceptable to the Department and Price Waterhouse, on a statistical sample on promissory note writing;
All problems with transactions submitted to servicing are resolved within 72 hours;
EDS performs to the Department and Price Waterhouse-approved plan for resolving prior errors; and
Demonstration to the satisfaction of the Department and Price Waterhouse that its system can track status of all applications, including exceptions.

Second, by the end of the month EDS will finish a separate plan to correct inaccurately consolidated loans. EDS will undergo 100 percent validation for all loans. The plan will be reviewed by the Department and Price Waterhouse before it is implemented. It is of the utmost importance to us to rectify these errors and ensure future accuracy.

Finally, both EDS and Price Waterhouse have submitted long-term plans to fully re-engineer the loan consolidation process. These proposals are expected to lead to substantial improvements in the loan consolidation system's capacity, accuracy, and timeliness. EDS will implement a re-designed process by April 1998.

[Continued in next email]

Message Sent
To:____
Barry White
G. E. DeSeve
Kathryn B. Stack
Robert M. Shireman
Wayne Upshaw

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01INRJS8X2EO00GWRQ@PMDF.EOP.GOV>; Wed, 17 Sep 1997 22:12:25 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INRJS54FF4006529@PMDF.EOP.GOV>; Wed,

 17 Sep 1997 22:12:20 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01INRJRYWPK80059Y9@STORM.EOP.GOV>; Wed,
 17 Sep 1997 22:12:10 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
 by vader.ed.gov (8.8.5/8.8.4) with SMTP id WAA21348; Wed,
 17 Sep 1997 22:09:41 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov

(IMA Internet Exchange 2.11 Enterprise) id 0003159D; Wed,
17 Sep 1997 22:12:20 -0400
================= END ATTACHMENT 1 =================

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	From: Kathryn Stack, To: G.E. DeSeve, Re: Send in a top notch special team! [partial] (2 pages)	09/23/1997	b(6)

COLLECTION:
Clinton Presidential Records
Automated Records Management System [Email]
OPD ([SLMA, Sallie Mae])
OA/Box Number: 250000

FOLDER TITLE:
[07/29/1997 - 01/15/1998]

2017-1074-F
jn340

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]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:23-SEP-1997 14:58:18.00

SUBJECT: Send In A Top Notch Special Team!

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

CC: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Mary M. Chuckerel (CN=Mary M. Chuckerel/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
After our meeting with you yesterday, Bob, Barry, Wayne and I talked about the need to get ED some expert assistance -- immediately -- to help handle the major critical problems (loan consolidation primarily, but also loan servicing) and also lay the groundwork for fundamental changes in procurement, systems strategy, etc.... Barry and I have tracked down some very good candidates, including one who would not only be available in the short-term, but would be an extremely strong candidate for the COO job (p articularly if he's got a head start). Here's the rundown:

[redacted]

(b)(6)

[001]

[redacted] (b)(6)

Others - I've gotten some suggestions on other folks to contact around town, but haven't followed up.

I think there could be real value to having a re-engineering team like this (with a designated leader like [redacted] (b)(6)) reporting directly to Mike Smith, while leaving the day-to-day functions to Betsy and Russomano for the time being. Based on whatever plans and analysis the new team put together, ED would be able to manage a successful transition to new leadership. Simply bringing in an outsider to replace Betsy, without having a chance to reassess how SFA does business, seems like a losing strategy to me. Maybe you can find a way to get this issue on the table today.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:29-SEP-1997 23:31:16.00

SUBJECT: Deliverables

TO: david_longanecker (david_longanecker @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: Jon_Oberg (Jon_Oberg @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

CC: Elizabeth_hicks (Elizabeth_hicks @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

CC: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

CC: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Diane_rogers (Diane_rogers @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

CC: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TEXT:
David: Based on the meeting today, I expect you are well on your way to having the information that we need by mid-day Tuesday. Here is what needs to be provided to Clay's staff, through Jon. (Please get it to me, too, as it is available):

--Progress EDS is making in addressing the backlog. (Message: This is not an emergency. The problem is being addressed.)

--% of all DL borrowers who are in the consolidation backlog. Reminders of the benefits that DL provides to schools (use press, data, quotes etc.) compared to FFEL (Message: The DL successes that everyone has heard about are secure. This problem is a different piece of DL, and it is small in comparison.)

--% of backlog that is FFEL-only borrowers (non-default, non-ICR). (Message: These FFEL borrowers are not satisfied with something in FFEL, so allowing people to consolidate into FFEL is not a complete answer).

--Examples of major mess-ups in the guarantee program (CSAC; Sallie Mae consolidation backlog, ASA, etc.) with student complaints. (Message: FFEL is far from perfect).

--Technical assistance amendment to prohibit FFEL consolidators from creaming. (And requiring them to offer all repayment options? Not needed?)

(--Whatever you come up with for tomorrow on these points, you have someone adding to the binder by the hour so that there is always plenty to choose from.)

As for the Administration position, I am comfortable with the following -- but will ask for OMB's input and of course ED's wishes:

--If they use 458, we oppose absolutely. Tell them that the FAFSAs won't get distributed and it will be their fault. (I'm serious. After we agreed to slash that account in reconciliation, they can't just willy nilly take money from there and think it doesn't have consequences.) I'm fine with letting them go with 458, thereby giving us one more reason to oppose it. If someone wants to score personal points by quietly giving them a safer offset, I'm not going to know about it so it doesn't matter what I think.

--If they use a better offset, we don't take a hard position either way, but instead say that (1) the problem is well on its way to being fully resolved, so this is not an emergency; (2) the large volume of FFEL borrowers consolidating into DL suggests a larger problem within FFEL that needs to be further analyzed to determine what the appropriate solutions might be (since it's not the interest rate issue -- lenders can already offer a lower rate if they want); (3) this issue would be more appropriately considered in the context of HEA reauth; and (4) if there is any minor item we can ask them to give the Secretary the authority to do, we should consider making it a part of our position, maybe.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon_Oberg@ed.gov@INET@LNGTWY (Jon_Oberg@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-SEP-1997 23:22:17.00

SUBJECT: DL Consolidation

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: Kathryn B. Stack@EOP (Kathryn B. Stack@EOP [OMB])
READ:UNKNOWN

TEXT:
House and Senate staff R's and D's talked this afternoon and essentially decided to go with the emergency two-way consolidation, pending approval of their members tomorrow. They are still discussing Need Analysis Amendments on the bill.

I advised D's that we likely were going in a different direction.

They are troubled about the $25 million offset and think it is up to us to find one if we don't like Sec 458 reductions.

We need to get them our numbers TOMORROW on why DL is actually in good shape (except for consolidation). Otherwise, it is going to be another negative session with all of DL tarred again.

On the matter of our using Sallie Mae/Lender of Last Resort: The SM Privatization Act was included in HR 3610 last year, and some of the applicable provisions can also be found in the Cong Record of Sept 28, 1996, page H11721. It appears to me (OGC is not available at the moment) that the Secretary could require SM to do consolidations or purchase loans. Here is some of the language....

3) Dissolution of the association: The Association shall dissolve and the Association's separate existence shall terminate on July 1, 2013, after discharge of all outstanding debt obligations and liquidation pursuant to this subsection. The Association may dissolve pursuant to this subsection prior to such date by notifying the Secretary of Education and the Secretary of the Treasury of the Association's intention to dissolve, unless within 60 days of receipt of such notice the Secretary of Education notifies the Association that the Association continues to be needed to serve as a lender of last resort pursuant to subsection (q) or continues to be needed to purchase loans under an agreement with the Secretary described in paragraph (4)(A).

On the dissolution date, the Association shall take the following
actions:

...
`(4) Restrictions relating to winding up:

`(A) Restrictions on new business activity or acquisition of assets
by
the association:

`(i) In general: Beginning on July 1, 2009, the Association shall not
engage in any new business activities or acquire any additional
program assets (including acquiring assets pursuant to contractual
commitments) described in subsection (d) other than in connection
with
the Association--

`(I) serving as a lender of last resort pursuant to subsection (q);
and

`(II) purchasing loans insured under this part, if the Secretary,
with
the approval of the Secretary of the Treasury, enters into an
agreement with the Association for the continuation or resumption
of the Association's secondary market purchase program because the
Secretary determines there is inadequate liquidity for loans made
under this part.

`(ii) Agreement: The Secretary is authorized to enter into an
agreement described in subclause (II) of clause (i) with the
Association covering such secondary market activities. Any agreement
entered into under such subclause shall cover a period of 12 months,
but may be renewed if the Secretary determines that liquidity remains
inadequate. The fee provided under subsection (h)(7) shall not apply
to loans acquired under any such agreement with the Secretary.

`(B) Issuance of debt obligations during the wind up period;
attributes of debt obligations: The Association shall not issue debt
obligations which mature later than July 1, 2013, except in
connection
with serving as a lender of last resort pursuant to subsection (q) or
with purchasing loans under an agreement with the Secretary as
described in subparagraph (A). ...==================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IO86NM2Y4W00FMTM@PMDF.EOP.GOV>; Mon, 29 Sep 1997 19:59:29 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IO86NK9UDS00IHK1@PMDF.EOP.GOV>; Mon,

29 Sep 1997 19:59:27 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IO86MVIXLO006B8D@STORM.EOP.GOV>; Mon,
29 Sep 1997 19:58:54 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id TAA02361; Mon,
29 Sep 1997 19:56:18 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.11 Enterprise) id 0003F753; Mon,
29 Sep 1997 19:58:56 -0400
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon_Oberg@ed.gov@INET@LNGTWY (Jon_Oberg@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-SEP-1997 23:22:16.00

SUBJECT: Re: Deliverables

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: Kathryn B. Stack@EOP (Kathryn B. Stack@EOP [OMB])
READ:UNKNOWN

TEXT:
Mr. McKeon is doing a Special Order tonight about 7:00 and wants our
latest DL consolidation report as soon as possible.

Mr. Clay's staff is alerted and is considering either getting a their
own Special Order or using the mark-up session or some other forum to
reply.

First, however, we need to get the numbers up. Also, McKeon wants
the
'aging' numbers, which to him means how the backlog grew month by
month. If we have it in some other format, we should supply it
anyway
so that he does not use his Special Order platform this evening to
say
that ED is unresponsive.

______________________________ Reply Separator
____

Subject: Deliverables
Author: Robert_M._Shireman@oa.eop.gov at Internet
Date: 9/29/97 11:31 PM

Message Creation Date was at 29-SEP-1997 23:31:00

David: Based on the meeting today, I expect you are well on your way to
having
the information that we need by mid-day Tuesday. Here is what needs to be
provided to Clay's staff, through Jon. (Please get it to me, too, as it
is
available):

--Progress EDS is making in addressing the backlog. (Message: This is
not an
emergency. The problem is being addressed.)

--% of all DL borrowers who are in the consolidation backlog. Reminders

of the
benefits that DL provides to schools (use press, data, quotes etc.)
compared to
FFEL (Message: The DL successes that everyone has heard about are
secure.
This problem is a different piece of DL, and it is small in comparison.)

--% of backlog that is FFEL-only borrowers (non-default, non-ICR).
(Message:
These FFEL borrowers are not satisfied with something in FFEL, so allowing
people to consolidate into FFEL is not a complete answer).

--Examples of major mess-ups in the guarantee program (CSAC; Sallie Mae
consolidation backlog, ASA, etc.) with student complaints. (Message:
FFEL is
far from perfect).

--Technical assistance amendment to prohibit FFEL consolidators from
creaming.
(And requiring them to offer all repayment options? Not needed?)

(--Whatever you come up with for tomorrow on these points, you have
someone
adding to the binder by the hour so that there is always plenty to choose
from.)

As for the Administration position, I am comfortable with the following --
but
will ask for OMB's input and of course ED's wishes:

--If they use 458, we oppose absolutely. Tell them that the FAFSAs won't
get
distributed and it will be their fault. (I'm serious. After we agreed to
slash that account in reconciliation, they can't just willy nilly take
money
from there and think it doesn't have consequences.) I'm fine with letting
them
go with 458, thereby giving us one more reason to oppose it. If someone
wants
to score personal points by quietly giving them a safer offset, I'm not
going
to know about it so it doesn't matter what I think.

--If they use a better offset, we don't take a hard position either way,
but
instead say that (1) the problem is well on its way to being fully
resolved, so
this is not an emergency; (2) the large volume of FFEL borrowers
consolidating
into DL suggests a larger problem within FFEL that needs to be further
analyzed
to determine what the appropriate solutions might be (since it's not the
interest rate issue -- lenders can already offer a lower rate if they

want);
(3) this issue would be more appropriately considered in the context of
HEA
reauth; and (4) if there is any minor item we can ask them to give the
Secretary the authority to do, we should consider making it a part of our
position, maybe. =================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IO9O3BWHU800GEHQ@PMDF.EOP.GOV>; Tue, 30 Sep 1997 21:29:20 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IO9O373YF400JTQ2@PMDF.EOP.GOV>; Tue,

30 Sep 1997 21:29:15 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IO9O2GF66U00661Z@STORM.EOP.GOV>; Tue,
30 Sep 1997 21:28:40 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id MAA09743; Tue,
30 Sep 1997 12:20:17 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.11 Enterprise) id 00040570; Tue,
30 Sep 1997 12:22:58 -0400
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Brian_Siegel@ed.gov@INET@LNGTWY (Brian_Siegel@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-SEP-1997 23:22:14.00

SUBJECT: Re: DL Consolidation

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: Kathryn B. Stack@EOP (Kathryn B. Stack@EOP [OMB])
READ:UNKNOWN

TEXT:
Jon -- In regard to your comment regarding the possibility of Sallie Mae being used as a "last resort" lender I note that Section 439(q) of the HEA requires Sallie Mae to act as a lender of last resort at the request of the Secretary if the Secretary determines that eligible borrowers are seeking but are unable to obtain FFELP loans. You should note that this requirement continues to apply to Sallie Mae the GSE which continues to exist as a subsidiary of the new privatized company; I don't believe that privatization affects this requirement.
The Department's traditional interpretation has been that the lender of last resort provision in Section 428 applies only to subsidized Stafford loans and not to other FFELP loans (Unsub. Stafford, PLUS, Consolidation). However, the language in 439(q) might be read broadly enough to include consolidation loans.

Brian Siegel

______________________________ Reply Separator

Subject: DL Consolidation
Author: Jon Oberg at WDCB03
Date: 9/29/97 7:50 PM

House and Senate staff R's and D's talked this afternoon and essentially decided to go with the emergency two-way consolidation, pending approval of their members tomorrow. They are still discussing Need Analysis Amendments on the bill.

I advised D's that we likely were going in a different direction.

They are troubled about the $25 million offset and think it is up to us to find one if we don't like Sec 458 reductions.

We need to get them our numbers TOMORROW on why DL is actually in good
shape (except for consolidation). Otherwise, it is going to be another negative session with all of DL tarred again.

On the matter of our using Sallie Mae/Lender of Last Resort: The SM Privatization Act was included in HR 3610 last year, and some of the applicable provisions can also be found in the Cong Record of Sept 28,
1996, page H11721. It appears to me (OGC is not available at the moment) that the Secretary could require SM to do consolidations or purchase loans. Here is some of the language....

3) Dissolution of the association: The Association shall dissolve and the Association's separate existence shall terminate on July 1, 2013, after discharge of all outstanding debt obligations and liquidation pursuant to this subsection. The Association may dissolve pursuant to this subsection prior to such date by notifying the Secretary of Education and the Secretary of the Treasury of the Association's intention to dissolve, unless within 60 days of receipt of such notice the Secretary of Education notifies the Association that the Association continues to be needed to serve as a lender of last resort
pursuant to subsection (q) or continues to be needed to purchase loans
under an agreement with the Secretary described in paragraph (4)(A). On the dissolution date, the Association shall take the following actions:

...

`(4) Restrictions relating to winding up:

`(A) Restrictions on new business activity or acquisition of assets by
the association:

`(i) In general: Beginning on July 1, 2009, the Association shall not engage in any new business activities or acquire any additional program assets (including acquiring assets pursuant to contractual commitments) described in subsection (d) other than in connection with
the Association--

`(I) serving as a lender of last resort pursuant to subsection (q); and

`(II) purchasing loans insured under this part, if the Secretary, with
the approval of the Secretary of the Treasury, enters into an agreement with the Association for the continuation or resumption of the Association's secondary market purchase program because the Secretary determines there is inadequate liquidity for loans made

under this part.

`(ii) Agreement: The Secretary is authorized to enter into an
agreement described in subclause (II) of clause (i) with the
Association covering such secondary market activities. Any agreement
entered into under such subclause shall cover a period of 12 months,
but may be renewed if the Secretary determines that liquidity remains
inadequate. The fee provided under subsection (h)(7) shall not apply
to loans acquired under any such agreement with the Secretary.

`(B) Issuance of debt obligations during the wind up period;
attributes of debt obligations: The Association shall not issue debt
obligations which mature later than July 1, 2013, except in
connection
with serving as a lender of last resort pursuant to subsection (q) or
with purchasing loans under an agreement with the Secretary as
described in subparagraph (A). ...=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IO8XT5Y83400GFNW@PMDF.EOP.GOV>; Tue, 30 Sep 1997 08:57:27 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IO8XT4OOFK006N19@PMDF.EOP.GOV>; Tue,

30 Sep 1997 08:57:25 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IO8XSGJ3DS0065A8@STORM.EOP.GOV>; Tue,
30 Sep 1997 08:56:53 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id IAA05006; Tue,
30 Sep 1997 08:54:17 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.11 Enterprise) id 0003FCB3; Tue,
30 Sep 1997 08:54:51 -0400
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:30-SEP-1997 16:19:22.00

SUBJECT: Deliverables

TO: Constance J. Bowers (CN=Constance J. Bowers/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
On emergency loan consolidation, see my position below.
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 09/30/97
04:19 PM ---------------------------

Robert M. Shireman
09/29/97 11:31:09 PM
Record Type: Record

To: Jon_Oberg @ ed.gov @ INET @ LNGTWY, david_longanecker @ ed.gov @ inet
cc: See the distribution list at the bottom of this message
Subject: Deliverables

David: Based on the meeting today, I expect you are well on your way to having the information that we need by mid-day Tuesday. Here is what needs to be provided to Clay's staff, through Jon. (Please get it to me, too, as it is available):

--Progress EDS is making in addressing the backlog. (Message: This is not an emergency. The problem is being addressed.)

--% of all DL borrowers who are in the consolidation backlog. Reminders of the benefits that DL provides to schools (use press, data, quotes etc.) compared to FFEL (Message: The DL successes that everyone has heard about are secure. This problem is a different piece of DL, and it is small in comparison.)

--% of backlog that is FFEL-only borrowers (non-default, non-ICR). (Message: These FFEL borrowers are not satisfied with something in FFEL, so allowing people to consolidate into FFEL is not a complete answer).

--Examples of major mess-ups in the guarantee program (CSAC; Sallie Mae consolidation backlog, ASA, etc.) with student complaints. (Message: FFEL is far from perfect).

--Technical assistance amendment to prohibit FFEL consolidators from creaming. (And requiring them to offer all repayment options? Not needed?)

(--Whatever you come up with for tomorrow on these points, you have someone adding to the binder by the hour so that there is always plenty to choose from.)

As for the Administration position, I am comfortable with the following -- but will ask for OMB's input and of course ED's wishes:

--If they use 458, we oppose absolutely. Tell them that the FAFSAs won't get distributed and it will be their fault. (I'm serious. After we agreed to slash that account in reconciliation, they can't just willy nilly take money from there and think it doesn't have consequences.) I'm fine with letting them go with 458, thereby giving us one more reason to oppose it. If someone wants to score personal points by quietly giving them a safer offset, I'm not going to know about it so it doesn't matter what I think.

--If they use a better offset, we don't take a hard position either way, but instead say that (1) the problem is well on its way to being fully resolved, so this is not an emergency; (2) the large volume of FFEL borrowers consolidating into DL suggests a larger problem within FFEL that needs to be further analyzed to determine what the appropriate solutions might be (since it's not the interest rate issue -- lenders can already offer a lower rate if they want); (3) this issue would be more appropriately considered in the context of HEA reauth; and (4) if there is any minor item we can ask them to give the Secretary the authority to do, we should consider making it a part of our position, maybe.

Message Copied
To:____
Kathryn B. Stack/OMB/EOP
Wayne Upshaw/OMB/EOP
Barry White/OMB/EOP
pauline_abernathy @ ed.gov @ inet
Diane_rogers @ ed.gov @ inet
Elizabeth_hicks @ ed.gov @ inet

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Barry White (CN=Barry White/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 1-OCT-1997 14:24:27.00

SUBJECT: Student loan issue with possible L/HHS/ED implications

TO: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Charles E. Kieffer (CN=Charles E. Kieffer/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Jacob J. Lew (CN=Jacob J. Lew/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Janet Himler (CN=Janet Himler/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Lisa M. Kountoupes (CN=Lisa M. Kountoupes/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

Barry White (CN=Barry White/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TEXT:
The House education and workforce committee today voted out, with no dissents, a bill to authorize the guaranteed student loan industry to consolidate into guaranteed loans, the direct loans the Education Department has been issuing since 1994, thus taking direct loans out of the Federal portfolio. Amy Abraham of the Senate Budget Committee believes the Administration should accept this, but exchange it for Republican agreement to drop the testing ban and education block grant provisions from the appropriations bill. I believe there is virtually no likelihood of such a deal materializing, and that accepting the consolidation bill is terribly damaging to the President's policies on student loans.

Background

As you know, Education's contractor, EDS, consolidating guaranteed into direct loans (the only direction that the law now allows) has failed. Reasons include contractor failure to performa as well as failure of Education to write a decent contract and most especially to monitor the contractor and react to problems on a timely basis.

We have known for months that this problem was happening but have been unable to get Education to resolve it. This failure is one reason why Education has been willing, just recently to engage in a Management Board-type arrangement with OMB -- Ed DeSeve is our political leader on this -- to rescue student aid management.

The failure is widely known in Congress and the student aid community. It is hurting students with applications pending. It has made the Washington Post and the NYTimes. It is also signaling to the direct loan schools the continued deterioration of Education's handle on direct lending -- also manifest in other publically known contracting and service problems. These schools are being pelted daily with complaints from students and families and with blandishments from banks, Sallie Mae, and others to swit ch back to guaranteed loans.

House proponents of the just-passed bill offer it as a rescue plan for beleagured students wanted to consolidate. This sells well. Democrats on the committee share Republican dismay over Education's management situation. Both know that this move dramatically weakens Direct Lending, but that policy has not enjoyed strong Democratic support in the House since the retirement of former Chairman Bill Ford.

Bob Shireman and I and my staff, and DeSeve through the Management Board, have all been pressing Education to develop an aggressive strategy to fight back, get the public story straight -- not everything ED has done is a failure; not all direct lending is in trouble -- and develop an alternative to fight the House bill. We have not yet succeeded.

Options

The Abraham proposal. In the near term, my staff and I see no reason to bite on Abraham's proposal. It is hard to believe that the elements of the right who oppose national tests and want an el/sec block grant would see any equivalence in giving up their issues so a few banks and Sallie Mae a bigger profit, or in weakening the President's direct lending policy.

Amy is obviously talking to lots of people. She has called Lisa Kountoupes. If you agree with this recommendation, Lisa should call Amy back this afternoon and try to shut down her promotional activity.

Reacting to the House vote. Shireman is working on a statement for Secretary Riley. Wayne will work with him on it. That should be sufficient for today.

The real problem. We don't have a plan yet for your review. It is bound up in even bigger and more difficult student aid policy legislative issues. I had hoped we could work this through for Director's Review, but events may overtake us. Shireman, Upshaw, and I will discuss on Monday and see what we think we can talk with you about, and that you may have to discuss with Secretary Riley or Deputy Secretary-designate Mike Smith.

In the meantime, if this thing gathers momentum, Wayne is prepared to work with you. I wouldn't mind if you solved the problems before Monday.

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2009-1006-F

Bucket: OPD

Creation Date: 1997-10-01

Subject: DC funds

Creator: William R. Kincaid CN=William R. Kincaid/OU=OPD/O=EOP [OPD]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 1-OCT-1997 15:22:38.00

SUBJECT: Yesterday's SFA Modernization Bd Meeting

TO: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: S. A. Noe (CN=S. A. Noe/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

CC: Timothy A. Rosado (CN=Timothy A. Rosado/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Nathan Tash (CN=Nathan Tash/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
The meeting was in the Secretary's conference room from 4:30 to 6:30. (They are scheduled to occur every two weeks, same time and place). Members attending: Mike Smith, Jamie Studley (Acting GC), David Longanecker, Tom Bloom (who declared himself ex officio), Don Rappaport, Ed DeSeve, Nancy Killifer (Treasury CFO), Bob Shireman, Wayne Upshaw. Greg Woods is a member but was out of town.

Also present: Diane Rogers, Pauline Abernathy, and me (as staff). Brought in for this particular meeting were Nathan Tash (OMB/OFPP), Betsy Hicks, Jerry Russomano (systems), Tom Skelly (budget) , and Glenn Perry (contracts).

Topic One: Loan Consolidation - Betsy Hicks gave a status report on EDS' progress in reducing the backlog of applications. Since Mike Smith testified on 9/18, the number of applications in process has been reduced by 34%, from 84,078 to 55,755. Reasons for the improvement: (1) almost half of the reduction occurred because EDS deactivated applications for students who had not responded to requests for information (these applications will be reactivated at a borrowers request); (2) EDS has stopped taking new applications and redeployed staff to process those in the pipeline; (3) some process re-engineering has occurred. As of yesterday, EDS is ahead of the schedule set forth in its "recovery plan" for clearing up the backlog. Under the recovery plan, the price paid to EDS for each loan consolidation has been raised to $71 (from the original EDS bid of $27). If EDS falls behind schedule, the price ED pays them will drop to $35.

At OMB and NEC's request, David Longanecker discussed contingency plans, should EDS fail to perform satisfactorily. One option ED has considered is to replicate the EDS process (ED presumably "owns" it) using the transition guaranty agency (set up when HEAF went under) as a possible partner. Several members questioned why ED would want to replicate a system that isn't working.

The second option, which David acknowledged hadn't been explored much, was to allow outside vendors to provide loan consolidation services to ED for a fixed price (e.g., $x per loan) using their existing systems. Longanecker noted the danger of this approach was that it might not be in the interest of Sallie Mae (the obvious candidate) to conduct work for ED that reduced the size of the FFEL portfolio. Nancy Killifer noted that (1) a number of banks, particularly Citibank, have large, efficient loan consolidation operations; and (2) since ED would be assuming all the interest-rate risk, many vendors , including Sallie Mae, might be interested in providing this service at reasonable cost. DeSeve noted that firewalls could be built to ensure a bank or Sallie Mae performed this service under ED's terms, without being allowed to offer applicants better deals under FFEL.

Mike Smith said he was very interested in pursuing non-EDS alternatives. Nathan Tash mentioned that the Department could use RFIs to notify and seek information from possible service providers on how they might serve ED's loan consolidation needs. OFPP offered to provide technical assistance on how to do this.

[Later, at the close of the meeting, Pauline said she would set up a meeting with key ED and OMB staff to move forward on this in the next few days.]

Topic Two: Systems Architecture and Banding. Jerry Russomano gave a shortened, somewhat modified version of his presentation on "banding" that he made this summer to OMB. He has incorporated several elements of the Art Gross (IRS-CIO) approach that was outlined in the IRS modernization briefing for OMB last week (e.g., leveraging contractors by making them compete against each other for more work). He noted that PriceWaterhouse has now completed an evaluation of technical architecture options, and recommended that ED adopt a Distributed Processing/Replication for Data Publication model because (1) of its strong flexibility (an open system that can link to others); (2) it is highly scaleable; (3) it has strong security; (4) it will improve access to data; and (5) it has a mixture of capabilities that will best fulfill the Project EASI/ED requirements.

Russomano noted his own discomfort with the Price Waterhouse recommendation, since his preference was a centralized, consolidated system. (Price Waterhouse rated his preferred option the lowest among 4 different options studied.) He argued that in making a choice about what system to go to, there must be consideration of what system now exists (ED's 16 stovepipes essentially represent 16 separate centralized systems). And he cited IRS as an example of where the CIO has opted to stay with a centralized system in its modernization plan, despite current industry trends toward distributed processing. Nancy Killifer differed with Jerry's analysis, noting that IRS needs a centralized system because of its security needs. The fact that IRS has had a centralized system in the past was never a significant factor in the IRS decisionmaking process.

In response to Nancy Killifer's question about Year 2000 compliance, Russomano said 3 student aid systems are now not compliant, but they should be by June, 1998.

Russomano made the case that a Band 1 pilot (moving NSLDS onto the GSA mainframe) was ready to go and that the final bid is proof of substantial cost savings. (ED now pays $20M annually; the bid came in at $4M annually.) DeSeve and Killifer agreed that ED's Band 1 strategy made sense, and did not lock ED into any particular systems configuration for the long term.

Russomano's discussion of Band 2 (dropping individual contracts in favor of software vendors that would build a new integrated system to Jerry's specifications) and Band 3 (integrating systems support services through new contracts for financial services, customer service, and document handling, etc..) was not so well received. Both Killifer and DeSeve stressed that before building a new system to support all the work ED currently now does (or sets customized specifications that contractors must follow), ED should reassess what functions might be outsourced to entities that could do a better job. Betsy Hicks tried to make the point that ED is very good at many things it does (e.g., customer support). Ed and Nancy noted that there are ways to benchmark performance and measure whether other providers could do a better job, and stressed that ED should have the ability to make these assessments.

Mike Smith noted the need for the board to understand Project EASI, which has become central to the PBO debate. DeSeve suggested the group have an extended session with PriceWaterhouse, the EASI contractor, to discuss the EASI concept and possible implementation strategies, and assess whether the project needs to be redirected. The group agreed that this meeting should occur before the next regular meeting of the board.

Tentative topics for the next regular meeting: PBO and Project EASI

Note: on my way out of the meeting, I got very positive feedback from Pauline about the meeting. Killifer and DeSeve bring an entirely new perspective to these management issues that Mike has been unable to get from within.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 1-OCT-1997 19:26:26.00

SUBJECT: Re: Student loan issue with possible L/HHS/ED implications

TO: Barry White (CN=Barry White/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: robert m. shireman (CN=robert m. shireman/OU=opd/O=eop@eop [OPD])
READ:UNKNOWN

CC: wayne upshaw (CN=wayne upshaw/OU=omb/O=eop@eop [OMB])
READ:UNKNOWN

CC: lisa m. kountoupes (CN=lisa m. kountoupes/OU=omb/O=eop@eop [OMB])
READ:UNKNOWN

CC: joshua gotbaum (CN=joshua gotbaum/OU=omb/O=eop@eop [OMB])
READ:UNKNOWN

CC: kathryn b. stack (CN=kathryn b. stack/OU=omb/O=eop@eop [OMB])
READ:UNKNOWN

CC: janet himler (CN=janet himler/OU=omb/O=eop@eop [OMB])
READ:UNKNOWN

CC: Charles e. kieffer (CN=Charles e. kieffer/OU=omb/O=eop@eop [OMB])
READ:UNKNOWN

CC: jacob j. lew (CN=jacob j. lew/OU=omb/O=eop@eop [OMB])
READ:UNKNOWN

TEXT:
The problems in the consolidation program are largely growing pains. The Department and EDS underestimated both the volume and more importantly the complexity of the program. They used paper intensive processes to consolidate multiple loans from different lenders.

It is likely, although I hold my breath and cross my fingers when I say this, that EDS and the Department will be able to restart (begin taking new applications) the consolidation program shortly. The big question is can they sustain the program over a longer period. Contingency plans are being developed including a full outsourcing to a private entity like Sallie Mae or Citicorp. There is great reluctance and little experience in doing this.

The economic incentives for the private entities are difficult to isolate from their core business. In the core business they operate off a spread and use credit quality criteria in consolidating. In a servicing business, they would theoretically operate on a fee basis with performance incentives.

Legislative action to allow the private sector to consolidate would certainly lower the volume of departmental consolidations. My questions is what are the overall economics? Would the privates be using a blended rate rounded up to the next percentage on all loans? Would the direct loans be fee based in their consolidation? What would happen to income contingent repayment?

There actually may be a pony in here somewhere. Could we rewrite the legislative proposal to allow the privates to bring the department consolidated loans with some restrictions about the interest rate on the direct lending portion and have the department agree to pay them a fee for each loan consolidated? Could the fee be higher if income contingency is involved if they need extra work?

Even better, could the bill instruct the department to develop a program that allows the privates to participate in the consolidation of loans under terms and conditions acceptable to it?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 2-OCT-1997 19:16:11.00

SUBJECT: Grad Student Update on Consolidation - fyi

TO: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 10/02/97
07:15 PM ---------------------------

tombutts @ umich.edu
10/02/97 11:58:00 AM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Grad Student Update on Consolidation - fyi

NAGPS Legislative Update
October 1, 1997

** LONG **

ED FIXES PROBLEMS IN DIRECT LENDING LOAN CONSOLIDATION &
GOOD FINANCIAL AID BILLS COME OUT OF HOUSE EDUCATION COMMITTEE
==

** Department of Education Officials Report Success in Fixing Problems **
** in Direct Lending Loan Consolidation **
****

Betsy Hicks, Deputy Assistant Secretary of Student Financial Assistance Programs at the Depatrment of Education (ED), reported some good news at a recent Project EASI Steering Committee meeting on September 25th.

There, she summarized the current status of loan consolidations under the aegis of the Direct Lending Program. As many may have heard, ED recently halted accepting new aplications for loan consolidation under the Direct Lending Program due to an enormous backlog - over 143,000 applications were pending by the middle of August. Betsy Hicks, herself, personally went down to the Loan Consolidation offices, in Montgomery, Alabama, to oversee emergency actions to catch up and develop preventative measures for the future.

Currently, of the 143,000 applications pending by the time the halt was called, approximately 56,000 are now completely consolidated, and 6,000 applciations were retracted by the students who filed them. Of the left over 81,000, more than half are in the final stages (promissory notes in the mail awaiting signatures of the students). Of the remaining 40,500 applications, about 28,000 were awaiting lender certification information from the banks & guarantee agencies holding applicant loans, and another 10,000 are still in the first stage of consolidation, awaiting complete information from the applicants. During this period, over 9,000 requests for consolidation applications were received from students.

Ms. Hicks outlined the following additional items:

1. The responsible contractor, EDS has submitted an acceptable plan for processing the remaining outstanding applications
2. EDS will establish a hotline for students who are currently in danger of going into default due to the delays in getting their loans consolidated.
3. EDS Customer Service reps are using the latest technology to access and process the loan consolidations, including using Internet resources where applicable.
4. ED has issued a letter to Lenders & Guaranty Agencies to allow them to grant "administrative forbearance" to clients who are still in the loan consolidation process. Borrowers can simply call, write or fax their loan servicers to indicate that they are consolidating their loans under Direct Lending in order to receive this "administrative forbearance."
5. ED & EDS have developed a "Quality Assurance" plan to review all consolidations on a routine basis beginning Monday, September 29, 1997.
6. Students can expect that new applications will again be accepted starting December 1, 1997.

All-in-all, NAGPS congratulates the Department on getting a handle on this problem as fast as it did.

** Two Important Bills Come out of House Education Committee **
****

[Special Thanks to Ivan Frishberg, US PIRG, for providing the following information]

The House Education and the Workforce Committee voted out two bills today, and recommended passage by the full House of Repesentatives. The votes were 43 yes to 0 no in favor of both bills. Here is the quick overview of what passed and what it means to students:

Loan Consolidations:

Sponsored by Chairman McKeon (R-CA) and others, the "Emergency Student Loan Consolidation Act" will temporarily allow students who have a mixture of both FFEL and Direct Loans to consolidate them through the private market (Sallie Mae, etc). This is in response to problems the Department of Education has been having processing loan consolidation applications.

This means that students & graduates who need to consolidate their loans will have an option besides the Direct Loan program. This is a good thing. USSA, U.S. PIRG & NAGPS have advocated for this as a part of the Reathorization of the Higher Education Act.

[It should be noted that the students who have been trapped in the middle of this consolidation mess may have the option to refinance elsewhere, but they will NOT be reimbursed for any increased debt that they incurred due to problems by the loan service.]

Tax Credits and Need Analysis:

Ranking Member Kildee (R-MI) won acceptance of an amendment that will change the Need Analysis part of the financal aid law so that students will not lose any of their eligibility for financial aid because they might be eligible for the recently passed Hope and Life-Long Learning Tax credits. Approximately 69,000 students might have recieved smaller financial aid packages if the tax credit was counted as a part of their income. This is a very good piece of legislation, especially for needier students.

STUDENT ACTION ENCOURAGED BY CHAIRMAN

Chairman Goodling called on students and educators to contact Chairman Jeffords and Ranking Member Kennedy in the Senate Labor Committee, and urge them to adopt similar legislation. As of yet, the Senate has no plans to mark up legislation.

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IOBWUZH5NK00GWNJ@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Thu,

02 Oct 1997 12:02:18 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IOBWUUR11C00DTIK@PMDF.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Thu, 02 Oct 1997 12:02:14 -0400 (EDT)
Received: from mothra.rs.itd.umich.edu ([141.211.83.20])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IOBWUCMGHY006SUU@STORM.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Thu, 02 Oct 1997 12:01:46 -0400 (EDT)

Received: from [192.195.231.208] by mothra.rs.itd.umich.edu (8.8.5/2.2)
id MAA14413; Thu, 02 Oct 1997 12:01:44 -0400 (EDT)
X-Sender: tombutts@t.imap.itd.umich.edu
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 3-OCT-1997 14:21:32.00

SUBJECT: Re: second letter draft

TO: James_Kvaal (James_Kvaal @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

TEXT:
Much better; I've made some edits in CAPS. (Strangely, it says "we" when it's apologizing for errors, but says "they" when we're talking about EDS's successes. Seems like the opposite approach would be better!).

One possible addition: In fact, direct loans are self-consolidating, meaning that borrowers who only have direct student loans have no problems at all. It is those who have guaranteed loans or a combination that run into time-consuming complications.

James_Kvaal @ ed.gov
10/03/97 12:22:00 PM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: second letter draft

For the Washington Post and to be adapted to the Los Angeles Times.

To the Editor:

Your article on the delays in consolidating direct student loans ("Former Students Caught in a Mortgage Bind Over College Loans," September 20) describes the problems faced by borrowers waiting for their loan consolidations to be finalized. AT OUR INSISTENCE, THE PRIVATE SECTOR CONTRACTOR RESPONSIBLE FOR THE DELAYS -- Electronic Data Systems (EDS) -- HAS DEVOTED SUBSTANTIAL RESOURCES TO THE BACKLOG, AND HAS reduced outstanding applications by more than a third in three weeks.

Unfortunately, your article fails to place this loan consolidation problem in context and leaves a misleading impression about the overall success of the federal Direct Loan program. A VERY SMALL PROPORTION of the borrowers in the Direct Loan program (WELL UNDER FIVE PERCENT) have been affected IN ANY WAY by delays in loan consolidation.

Direct lending overall is not only alive and well; it is robust and thriving. Currently, at the peak of our application processing for the 1997-98 academic year, EDS is disbursing an average of over 150,000 loans totaling $225 million each week. Moreover, it is approving over 99 percent of those loans within 2 days, [COMPARE TO STANDARD IN FFEL.]

Ironically, more than two-thirds of the student borrowers seeking direct loan consolidations had only government-guaranteed loans from banks and therefore could have consolidated through a government-guaranteed lender such as Sallie Mae or Citicorp. Instead, they chose a direct loan consolidation because of the quality service and flexible repayment options we offer.

Because borrowers are our top priority, we will continue to work diligently with EDS to resolve the current consolidation problems by the deadline we established: December 1, 1997. But we will also continue to provide excellent service to the other students who have benefited from the Direct Loan program and encourage additional schools and borrowers to join the program because of the substantial benefits it offers students, schools, and federal taxpayers.

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IODC025HG000E9NH@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Fri,

 03 Oct 1997 12:26:17 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IODC0082EO00EGWQ@PMDF.EOP.GOV> for
 Robert_M._Shireman@oa.eop.gov; Fri, 03 Oct 1997 12:26:14 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IODBYSK6VA006KE1@STORM.EOP.GOV> for
 Robert_M._Shireman@oa.eop.gov; Fri, 03 Oct 1997 12:26:01 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
 by vader.ed.gov (8.8.7/8.8.4) with SMTP id MAA22350 for
 <Robert_M._Shireman@oa.eop.gov>; Fri, 03 Oct 1997 12:23:24 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
 (IMA Internet Exchange 2.11 Enterprise) id 000459AE; Fri,
 03 Oct 1997 12:26:07 -0400

================= END ATTACHMENT 1 =================

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2017-1075-F

Bucket: OPD

Creation Date: 1997-10-06

Subject: Call to Jonathan Gray; student aid policy; a request for help

Creator: Wayne Upshaw CN=Wayne Upshaw/OU=OMB/O=EOP [OMB]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-OCT-1997 15:57:23.00

SUBJECT: NY Times letter draft

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Care to comment?
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 10/07/97
03:57 PM ---------------------------

James_Kvaal @ ed.gov
10/07/97 01:23:00 PM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: NY Times letter draft

Below is a draft response to the New York Times' business-section article on EDS.

Your comments would be welcome.

The Editor
The New York Times
229 West 43rd Street
New York NY 10036

To the Editor:

Your article on Electronic Data Systems's management of the direct student loan consolidation program ("Dropping the Ball in Juggling Loans," October 1) describes the problems faced by borrowers waiting for their loan consolidations to be finalized. We deeply regret these problems. At our insistence, EDS has devoted substantial resources to the backlog and has reduced outstanding applications by a third in three weeks. Nearly two-thirds of the remaining applications are now in the final stages of consolidation.

Unfortunately, your article misleadingly fails to place this loan consolidation problem in the context of the overall success of the federal Direct Loan program. Direct lending overall is not only alive and well; it is robust and thriving. Its success is reflected by its rapid growth to approximately one-third of the $30 billion market in new student loans in just four years. To give you a point of comparison, AT&T had not yet lost one-third of the market share it had as a monopoly nearly nine years after its break-up.

Currently, at the peak of our application processing for the 1997-98 academic year, we are disbursing an average of over 150,000 loans totaling $225 million each week and approving over 99 percent of those loans within 2 days. The result: schools and students are receiving their funds much faster, at less cost to the taxpayer, than they typically would under the government-guaranteed program.

Unfortunately, we have experience difficulties with one aspect of the Direct Loan program: the process referred to as loan consolidation. While the number of the borrowers in the Direct Loan program affected in any way by delays in loan consolidation is very small -- well under five percent -- we are taking this issue very seriously.

Borrowers are our top priority; we are taking every available action to assure that no additional borrowers are harmed. We have made forbearance available upon request to students whose consolidation applications are currently in the system, allowing them to make partial or no payment without penalty. EDS has established a hotline to counsel any borrower who fears that he or she may default on his or her loan while waiting for the completion of consolidation. And EDS is contacting all borrowers with completed consolidation loans to confirm their satisfaction and resolve any outstanding problems.

Ironically, more than two-thirds of the student borrowers seeking direct loan consolidations had only government-guaranteed loans from banks, rather than direct loans, and therefore could have consolidated through a government-guaranteed lender such as Sallie Mae or Citicorp.
Instead, they chose a direct loan consolidation because of the quality service and flexible repayment options that it offers. In addition, most borrowers with only direct loans are not affected by the temporary suspension because their loans are already included in

a
single payment and thus may be seen as self-consolidating.

We will continue to work diligently with EDS to resolve the current
consolidation problems by the deadline we established, December 1,
1997. We will also continue to provide excellent service to the
other
students who have benefited from the Direct Loan program.

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IOIZATOBZ400KAR6@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Tue,

07 Oct 1997 13:27:51 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IOIZARID9S00K8XS@PMDF.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Tue, 07 Oct 1997 13:27:49 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IOIZAFI4TE004D5R@STORM.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Tue, 07 Oct 1997 13:27:32 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id NAA27799 for
<Robert_M._Shireman@oa.eop.gov>; Tue, 07 Oct 1997 13:24:54 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.11 Enterprise) id 00049A3A; Tue,
07 Oct 1997 13:26:59 -0400
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-OCT-1997 20:08:08.00

SUBJECT:

TO: David_Longanecker (David_Longanecker @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

CC: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
Do you have any more info on this? Have they done anything in writing? (Marianna Pierce said Sallie is now telling her they're not opposed, they just wanted changes).

I heard from David Longanecker today that Sallie Mae, various lenders, and NCHELP all now oppose the 2-way consolidation bill (1.05 % offset fee, lower yield to lenders under the consolidated loans compared to what they have, and the work and complexity of consolidation).

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2017-1075-F

Bucket: OPD

Creation Date: 1997-10-09

Subject: Re: Call to Jonathan Gray; student aid policy; a request for help

Creator: Kathryn B. Stack CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-OCT-1997 20:54:06.00

SUBJECT: Re: Re[4]: Sallie Mae

TO: Pauline_Abernathy (Pauline_Abernathy @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

TEXT:
Don or someone should talk to someone who was fired recently.

OR check Sallie's annual reports or other financial market sources (would nexis have included that?)

Or, I suppose a reporter could ask me about it, I could tell them what the SM rep told me, then they could follow up. But that would take a reporter who really wanted to get the info. (By the way, the point of what she told me was that it took them far longer to dig out than the timetable that ED set out for EDS. It would be good to find this. . .)

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2017-1076-F

Bucket: OPD

Creation Date: 1997-10-09

Subject: LONG but important summary of loan consolidation effort

Creator: Kathryn B. Stack CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 9-OCT-1997 15:53:24.00

SUBJECT: Re: HR 2535 -- Loan consolidation -- PAYGO

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Constance J. Bowers (CN=Constance J. Bowers/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Preliminary paygo numbers are for Connie. The rest of you should see
Skelly's last paragraph on industry opposition to two-way consolidation.
(It fits with something Debbie Brown said the other day, noting that if
the House bill passed, the lenders would have to set up complex systems to
accommodate the peculiar requirements of direct loan consolidation.)
---------------------- Forwarded by Kathryn B. Stack/OMB/EOP on 10/09/97
03:48 PM ---------------------------

Thomas_Skelly @ ed.gov
10/09/97 03:37:00 PM
Record Type: Record

To: Kathryn B. Stack
cc:
Subject: Re: HR 2535 -- Loan consolidation -- PAYGO

The $19.6 million savings is the 5-year outlay total. All the BA is in
1998.
Since you want "quickly," here are some "quickly" outlays (the savings
come from
cutting the admin money):

98: -13.1 million
99: -6.5 million

If you can wait, William might have better numbers later. I
think CBO shows all the outlay savings in 1998.

I heard from David Longanecker today that Sallie Mae, various lenders,
and NCHELP all now oppose the 2-way consolidation bill (1.05 % offset

fee, lower yield to lenders under the consolidated loans compared to what they have, and the work and complexity of consolidation).

______________________________ Reply Separator
____
Subject: HR 2535 -- Loan consolidation -- PAYGO
Author: Kathryn_B._Stack@oa.eop.gov at Internet
Date: 10/9/97 2:42 PM

Message Creation Date was at 9-OCT-1997 14:42:00

Help. Quickly.
---------------------- Forwarded by Kathryn B. Stack/OMB/EOP on 10/09/97
02:41
PM ---------------------------

Constance J. Bowers
10/09/97 11:45:52 AM
Record Type: Record

To: S. A. Noe/OMB/EOP, Kathryn B. Stack/OMB/EOP
cc: Justin D. Sullivan/OMB/EOP
Subject: HR 2535 -- Loan consolidation -- PAYGO

As you know, ED is estimating HR 2535 would have PAYGO implications --
reducing
direct spending by $19.6 million over the FYs 1998-2002. We need to
complete a
report on PAYGO bills by midafternoon today that includes the paygo effect
for
each year. Can you see if ED's budget service has a breakdown by year
(each of
FYs 1998 - 2002) ? (Of course, I'll also need to know if OMB agrees with
ED's
estimates). Thanks.

==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IOLWDC9KZK00NALI@PMDF.EOP.GOV> for "Kathryn B. Stack"@oa.eop.gov; Thu,
09 Oct 1997 15:35:59 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IOLWD9W48000L619@PMDF.EOP.GOV> for
Kathryn_B._Stack@oa.eop.gov; Thu, 09 Oct 1997 15:35:55 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IOLWCLW4000000PO@STORM.EOP.GOV> for
Kathryn_B._Stack@oa.eop.gov; Thu, 09 Oct 1997 15:35:22 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id PAA29442 for
<Kathryn_B._Stack@oa.eop.gov>; Thu, 09 Oct 1997 15:32:42 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.11 Enterprise) id 0004D762; Thu,
09 Oct 1997 15:34:50 -0400
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 9-OCT-1997 21:25:46.00

SUBJECT: Citibank backlog

TO: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: david_frank (david_frank @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

CC: David_Longanecker (David_Longanecker @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
What about the idea of calling some or all of the reporters who have covered the ED backlog and get them this letter? It would be nice to get a story to run somewhere, even if it's a business publication or section. And if someone is interested, I can feed them the Sallie Mae tidbit.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:10-OCT-1997 09:28:18.00

SUBJECT: Re: Citibank backlog

TO: David_Longanecker (David_Longanecker @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

CC: david_frank@ed.gov@inet (david_frank@ed.gov@inet [UNKNOWN])
READ:UNKNOWN

TEXT:
You and D. Frank should decide what the best way is to handle it.

David_Longanecker @ ed.gov
10/10/97 07:39:00 AM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Re: Citibank backlog

All sounds good to me. I believe that we are also giving this to Rob Andrews to share with his colleagues. Should you or we get this to the Press?

dal

______________________________ Reply Separator
____

Subject: Citibank backlog
Author: Robert_M._Shireman@oa.eop.gov at Internet
Date: 10/9/97 9:25 PM

Message Creation Date was at 9-OCT-1997 21:25:00

What about the idea of calling some or all of the reporters who have
covered
the ED backlog and get them this letter? It would be nice to get a story
to
run somewhere, even if it's a business publication or section. And if
someone
is interested, I can feed them the Sallie Mae tidbit.

==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IOMU8DORO000OQYE@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Fri,

 10 Oct 1997 07:45:30 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IOMU8AQEKG00PE5V@PMDF.EOP.GOV> for
 Robert_M._Shireman@oa.eop.gov; Fri, 10 Oct 1997 07:45:25 -0400 (EDT)
Received: from vader.ed.gov ([165.224.216.253])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IOMU7J9MNO0003MI@STORM.EOP.GOV> for
 Robert_M._Shireman@oa.eop.gov; Fri, 10 Oct 1997 07:44:49 -0400 (EDT)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
 by vader.ed.gov (8.8.7/8.8.4) with SMTP id HAA04307 for
 <Robert_M._Shireman@oa.eop.gov>; Fri, 10 Oct 1997 07:42:07 -0400 (EDT)
Received: from ccMail by smtpgwy1.ed.gov
 (IMA Internet Exchange 2.11 Enterprise) id 0004E0C3; Fri,
 10 Oct 1997 07:44:51 -0400
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Diana Fortuna (CN=Diana Fortuna/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:17-OCT-1997 18:57:52.00

SUBJECT: here are the America Reads commitments Melinda recommended

TO: Katherine Hubbard (CN=Katherine Hubbard/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
Scholastic commitment -- allocated over 300,000 books so far
Sallie Mae DC Reads; made commitment at summit
First Books
Time Warner -- already did a lot
Glaxo Welcome: Am Reads

We can get more info from the Promise Book and from Melinda Hudson/Gary Kowalczyk at the Corporation.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Christa Robinson (CN=Christa Robinson/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:20-OCT-1997 14:19:22.00

SUBJECT: service summit and America Reads

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
I thought they were being included. Let me know if there's someone else I should check with. Please let me know if there's anything you need me to do for tomorrow. I'm glad to help. Just page me or call me at 6-5165.
---------------------- Forwarded by Christa Robinson/OPD/EOP on 10/20/97 02:06 PM ---------------------------

Diana Fortuna
10/20/97 01:26:38 PM
Record Type: Record

To: Christa Robinson/OPD/EOP, William R. Kincaid/OPD/EOP
cc: Stephen B. Silverman/WHO/EOP, Katherine Hubbard/WHO/EOP
Subject: service summit and America Reads

Will tomorrow's audience have in it any of the big service summit committers? Some of them explicitly linked their commitment to America Reads -- like Scholastic Books. Sallie Mae is working with DC Reads. It would be a good link to have them there.

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2017-1076-F

Bucket: OPD

Creation Date: 1997-10-21

Subject: HR 2535 Manager's Amendments

Creator: Jon_Oberg@ed.gov@INET@LNGTWY
Jon_Oberg@ed.gov@INET@LNGTWY [UNKNOWN]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Pauline_Abernathy@ed.gov@INET@LNGTWY (Pauline_Abernathy@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-OCT-1997 19:02:08.00

SUBJECT: Consolidation loan balances

TO: Wayne Upshaw@EOP (Wayne Upshaw@EOP [OMB])
READ:UNKNOWN

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TEXT:

Sallie Mae consolidation loans average roughly $25,800 per borrower,
while
Direct Loan consolidation loans average roughly $15,300 per borrower.

Source: The Direct Loan Task Force=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IPFFI6Z9TS00MH61@PMDF.EOP.GOV>; Thu, 30 Oct 1997 18:57:17 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IPFFI5NUN400P5NZ@PMDF.EOP.GOV>; Thu,

30 Oct 1997 18:57:15 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IPFFHT5PDO00278R@STORM.EOP.GOV>; Thu,
30 Oct 1997 18:56:58 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id SAA05436; Thu,
30 Oct 1997 18:54:06 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 000687B7; Thu,
30 Oct 1997 18:56:56 -0500
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:31-OCT-1997 09:34:47.00

SUBJECT: Name of Sallie Mae Person

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Barry White (CN=Barry White/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TEXT:
The one FDR recommended we talk to -- could be Lydia Marshall who I understand was close to the top and highly regarded.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Pauline_Abernathy@ed.gov@INET@LNGTWY (Pauline_Abernathy@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:12-NOV-1997 20:17:19.00

SUBJECT: 2-way bill is back?!

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: Barry White@EOP (Barry White@EOP [OMB])
READ:UNKNOWN

TEXT:

Heads up! Sallie Mae called me today to inform us that they are seeking to amend the 2-way bill this week in Congress to address their concerns. Their stated concerns to date have been to eliminate or reduce the 105 basis point annual fee for consolidations and to delay implementation of the lower, variable interest rate for FFEL consolidation loans.

The message I got said they are preparing a press release announcing the suspension of their loan consolidation program, presumably unless Congress makes the changes they want which would make consolidation more profitable for them. =================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IPXNUULZGG00YR71@PMDF.EOP.GOV>; Wed, 12 Nov 1997 20:10:57 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IPXNUN0PHS00R4MP@PMDF.EOP.GOV>; Wed,

12 Nov 1997 20:10:47 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IPXNUHKKV6001463@STORM.EOP.GOV>; Wed,
12 Nov 1997 20:10:32 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id LAA06787; Wed,
12 Nov 1997 11:35:53 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 00077388; Wed,
12 Nov 1997 11:38:58 -0500
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Stephanie_Babyak@ed.gov@INET@LNGTWY (Stephanie_Babyak@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-NOV-1997 16:23:36.00

SUBJECT: Re: Sallie Mae announcement on Loan Consolidation

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: Wayne Upshaw@EOP (Wayne Upshaw@EOP [OMB])
READ:UNKNOWN

TO: Barry White@EOP (Barry White@EOP [OMB])
READ:UNKNOWN

TEXT:
We're checking now but will look in Tuesday's press also. I'll forward whatever we find.

______________________________ Reply Separator

____
Subject: Sallie Mae announcement on Loan Consolidation
Author: Pauline Abernathy at WDCB01
Date: 11/17/97 3:23 PM

FYI. Sallie Mae just sent me the email below indicating they are suspending their processing of loan consolidations. We may well get press
calls about it asking if we can take the people they turn away. I would think
we will need to evaluate how best to meet students' needs in light of SM's announcement -- is this right? Stephanie, can you check to see if there is
already a story out there? Can someone get the USAG press release and send it
around?

I wanted to advise you that we are suspending the processing of loan consolidation applications. We are doing this because of economic and operational issues created by the new legislation.

We are working with our borrowers to provide them with repayment relief outside of loan consolidation. For borrwervers who desire loan consolidation, we are advising them to be in touch with other FFELP lenders, unless the Deparment wants us to refer them there (?).

You may have seen the press release from the USA Group indicating that
they
will make these loans. You should be aware that they process far fewer consolidation loans than Sallie Mae has in the past.

Call me if you need further info!

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQ4F75MFOG00X2KF@PMDF.EOP.GOV>; Mon, 17 Nov 1997 16:18:11 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ4F727Q8W0109GR@PMDF.EOP.GOV>; Mon,

17 Nov 1997 16:18:07 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQ4F6NCPKU001P30@STORM.EOP.GOV>; Mon,
17 Nov 1997 16:17:47 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id QAA26731; Mon,
17 Nov 1997 16:14:41 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 0007E818; Mon,
17 Nov 1997 16:17:49 -0500
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:17-NOV-1997 23:39:10.00

SUBJECT: Re: Sallie Mae announcement on Loan Consolidation

TO: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
GENE: You will remember that the Labor-HHS bill included a provision allowing for two-way consolidation of student loans, particularly allowing direct loans to be consolidated into guaranteed loans (rather than only the opposite). In authorizing this change, Congress also lowered the maximum interest rate on those loans from 9% to a variable T + 3.25. Because of the old high rate, Congress had slapped a 105 basis point annual fee on lenders. But in lowering the rate, Congress did not change the fee.

Because of the reduced yield as well as "operational" issues, Sallie Mae -- the largest consolidator of student loans -- has announced it is pulling out of the consolidation business.

Some of the non-profits -- which raise their funds from tax-exempt bonds and therefore can handle the lower margin easier -- are expand their offerings in the market. But there will certainly be disruption, expecially with the Department's contractor, EDS, still not accepting new applications. I'm waiting for ED's plan for what they will announce in response.

Further background: We resisted this legislation, but ultimately did not want to be seen as responsible for killing it. Sallie Mae privately expressed some reservations about the legislation, but never made its opposition clear publicly (they were expecting others to kill it).

---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/17/97 11:31 PM ---------------------------

Stephanie_Babyak @ ed.gov
11/17/97 04:13:00 PM
Record Type: Record

To: Barry White, Robert M. Shireman, Wayne Upshaw
cc:
Subject: Re: Sallie Mae announcement on Loan Consolidation

We're checking now but will look in Tuesday's press also. I'll forward whatever we find.

______________________________ Reply Separator ______________________________

Subject: Sallie Mae announcement on Loan Consolidation
Author: Pauline Abernathy at WDCB01
Date: 11/17/97 3:23 PM

FYI. Sallie Mae just sent me the email below indicating they are suspending their processing of loan consolidations. We may well get press
calls about it asking if we can take the people they turn away. I would think
we will need to evaluate how best to meet students' needs in light of SM's announcement -- is this right? Stephanie, can you check to see if there is
already a story out there? Can someone get the USAG press release and send it
around?

I wanted to advise you that we are suspending the processing of loan consolidation applications. We are doing this because of economic and operational issues created by the new legislation.

We are working with our borrowers to provide them with repayment relief outside of loan consolidation. For borrwervers who desire loan consolidation, we are advising them to be in touch with other FFELP lenders, unless the Deparment wants us to refer them there (?).

You may have seen the press release from the USA Group indicating that they
will make these loans. You should be aware that they process far fewer consolidation loans than Sallie Mae has in the past.

Call me if you need further info!

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQ4F75MFOG00X2KF@PMDF.EOP.GOV>; Mon, 17 Nov 1997 16:18:11 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ4F727Q8W0109GR@PMDF.EOP.GOV>; Mon,

17 Nov 1997 16:18:07 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQ4F6NCPKU001P30@STORM.EOP.GOV>; Mon,
17 Nov 1997 16:17:47 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id QAA26731; Mon,
17 Nov 1997 16:14:41 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 0007E818; Mon,
17 Nov 1997 16:17:49 -0500
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Pauline_Abernathy@ed.gov@INET@LNGTWY (Pauline_Abernathy@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-NOV-1997 20:06:06.00

SUBJECT: Re[2]: Sallie Mae announcement on Loan Consolidation

TO: robert m. shireman@EOP (robert m. shireman@EOP [OPD])
READ:UNKNOWN

TO: wayne upshaw@EOP (wayne upshaw@EOP [OMB])
READ:UNKNOWN

TO: Barry White@EOP (Barry White@EOP [OMB])
READ:UNKNOWN

TEXT:

Barry, people here do take it seriously, but everyone is worried
about
overpromising. We want to be able to deliver on our promises.

______________________________ Reply Separator
____
Subject: Re: Sallie Mae announcement on Loan Consolidation
Author: Barry_White@oa.eop.gov at Internet
Date: 11/17/97 6:48 PM

Message Creation Date was at 17-NOV-1997 18:48:00

I am not saddened. What I hope you can do is announce soberly that:

this is a business decision that only Sallie Mae can make or justify,

but that all borrowers should know that the Secretary of Education plans
to
re-open his consolidation program to all comers on December 1, a mere two
weeks
away, and that

by that time, the backlog of unprocessed applications will be worked down
to a
managable size.

I'm serious. I just wish that every time I take your people seriously
that the
EDS problem is solved, they wouldn't snort or giggle. This is a great
opportunity for the Department to take the high road of service to
students.

Take it. Please.==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQ4N15BLCG00W924@PMDF.EOP.GOV>; Mon, 17 Nov 1997 20:02:25 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ4N120MXS00YQQU@PMDF.EOP.GOV>; Mon,

17 Nov 1997 20:02:19 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQ4N0D0F30001PD7@STORM.EOP.GOV>; Mon,
17 Nov 1997 20:01:46 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id TAA01536; Mon,
17 Nov 1997 19:58:41 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 0007EC80; Mon,
17 Nov 1997 20:01:56 -0500
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:17-NOV-1997 23:18:21.00

SUBJECT: Re: Consolidation Safety Valve

TO: David_Longanecker (David_Longanecker @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

CC: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
With Sallie Mae's suspension, they'll have a bunch of experienced consolidators with nothing to do (or no jobs). It seems like a good time to propose giving them some work!

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: David_Longanecker@ed.gov@INET@LNGTWY (David_Longanecker@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-NOV-1997 19:20:18.00

SUBJECT: Re: Consolidation Safety Valve

TO: Kathryn B. Stack@EOP (Kathryn B. Stack@EOP [OMB])
READ:UNKNOWN

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: G. E. DeSeve@EOP (G. E. DeSeve@EOP [OMB])
READ:UNKNOWN

TEXT:
Bob,

Earlier today I sent this message to Mike, thinking I was sending it to you. Although it predates Betsy and your comments, as well as Sallie Mae's announcement, I thought it might still be worth sending.
We have folk fleshing this idea out a bit more.

Dave

Bob,

Actually, what you describe is very close to one of the options Mike, Betsy, and I have been thinking about. The two options we had in mind were to distribute FFEL only borrowers to lenders either from the get go, and then reconsolidate them into income-contingency (your idea), or to send to other consolidators only those that indicated no interest in ICR. In fact, we could design the system to tier these so that we could segregate them, and chose one or the other, depending upon the need.

One of the advantages I see from this approach, over essentially "contracting" with a back-up is that it allows us to modulate the flow to fit our needs, rather than get into a fixed volume requirement that would almost certainly be required in a contract, plus it allows us to put incentives rather than sanctions in front of EDS -- if we make it clear in our EDS contract what factors trigger the use of the back-up, then they can perform above this level to avoid losing business.

Given the uncertainties about the environment as a result of recent legislation, we need to cement our plan as soon as possible.

Dave

______________________________ Reply Separator _________________________________

Subject: Consolidation Safety Valve
Author: Robert_M._Shireman@oa.eop.gov at Internet
Date: 11/13/97 11:08 PM

Message Creation Date was at 13-NOV-1997 23:08:00

I keep pushing on this issue because I think it is critical to have
another
option in the event of an EDS problem (and/or if SM carries out its threat
to
shut down its own consolidation operation). I also would like EDS to know
that
we have somewhere else we can go (both in terms of an incentive for
performance, and more leverage in negotiations).

What I would suggest builds on what was discussed at the Modernization
Board
meeting yesterday: Identify lenders/secondary markets who are familiar
with
consolidation. Offer to send them customers who have inquired about
consolidation. The lenders could use whatever processes and forms they
have to
turn the borrower's multiple loans into one loan (they would pay off the
other
lenders, etc.). The one thing they would do differently from their other
consolidations is to ask the borrower if he or she wants income-contingent
repayment (or for some other reason wants a direct loan). If so, ED
purchases
the (already consolidated) loan. It is possible we would have to pay a
fee, but
it should be less than what we pay EDS for consolidations.

David, is something like this being pursued?=================== ATTACHMENT 1
===================

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQ4LE5F84W00NT1X@PMDF.EOP.GOV>; Mon, 17 Nov 1997 19:15:37 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ4LE3NQ9C01241F@PMDF.EOP.GOV>; Mon,

17 Nov 1997 19:15:35 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQ4LDEDHOE001Q9T@STORM.EOP.GOV>; Mon,
17 Nov 1997 19:15:01 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id TAA00866; Mon,
17 Nov 1997 19:11:56 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 0007EC18; Mon,
17 Nov 1997 19:15:11 -0500
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:17-NOV-1997 13:56:30.00

SUBJECT: Inside OPE

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TEXT:
In case we thought we were getting somewhere in helping the Department take a different course, my sources inside OPE tell me things are as bad as (if not worse than) ever.

- At the Jerry R level, there's incredible frustration that the Board and OMB are "dabbling" in things they don't understand. So whatever leadership Jerry was able to provide before, he can't provide now. And there's no one else inside ED providing leadership.

- At the OPE service director meetings, there is talk about issues that need to be dealt with, but no one is prepared to act until they get direction from the "Modernization Board". (And of course, most of these issues will never get to the board.)

- I heard a depressing report of a meeting Betsy chaired of OPE and other ED staff Friday on how to implement a multi-year promissory note (something the lenders have wanted for years that should reduce paperwork and avoid students having to get separate loans each year that later need to be consolidated). Based on a recommendation from Project EASI, ED is requesting authority for this in HEA.

-- Betsy chaired the meeting, heard from various offices about all the problems that they couldn't figure out how to overcome, and agreed to hold another meeting.

-- There was a clear indication that FFEL lenders wouldn't be allowed to use a multi-year note until ED figured out how to do it for Direct Loans, but outright hostility to the idea that ED might learn how to do this from the FFEL lenders.

-- THe apparent outcome : ED staff will continue to meet to try to work on this. No one will consult with the lending industry on how they would deal with the problems ED is identifying internally.

For all of our complaints about flaws in Project EASI's overly grand "vision", we should realize that EASI provides the ONLY forum for ED getting information from lenders about how ED's processes could be improved. Despite our best efforts to get across to ED (in the Mod Board and other meetings) that they should get smarter by talking to the industry, this message is not getting through to OPE managers and staff.

Rumor in OPE is that Sallie Mae approached the Secretary to suggest they form a "partnership" of some sort, but the Secretary said no. (I would think ED could find a way to work with Sallie Mae and key lenders to set up some common processes that would help both programs reduce their overhead. THis would probably yield as many if not more benefits to ED than to the FFEL participants.)

All this is making me wonder whether the better course might be to get a good CIO in place - now -- who is charged with reaching out to the lending industry to work out streamlined, common processes and standards, around which replacement systems for NSLDS and the current FFEL contract can be built. (I even know someone, no relation to me that Ed knows too, who could be perfect for the job....if Ed figures it out then it must be a good idea.) If we don't force some major change soon, then the Mod Board is just spinning its wheels.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Barry White (CN=Barry White/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:17-NOV-1997 18:49:05.00

SUBJECT: Re: Sallie Mae announcement on Loan Consolidation

TO: Pauline_Abernathy@ed.gov@INET@LNGTWY (Pauline_Abernathy@ed.gov@INET@LNGTWY [UNKNOWN])
READ:UNKNOWN

CC: wayne upshaw@eop (wayne upshaw@eop [OMB])
READ:UNKNOWN

CC: robert m. shireman@eop (robert m. shireman@eop [OPD])
READ:UNKNOWN

TEXT:
I am not saddened. What I hope you can do is announce soberly that:

this is a business decision that only Sallie Mae can make or justify,

but that all borrowers should know that the Secretary of Education plans to re-open his consolidation program to all comers on December 1, a mere two weeks away, and that

by that time, the backlog of unprocessed applications will be worked down to a managable size.

I'm serious. I just wish that every time I take your people seriously that the EDS problem is solved, they wouldn't snort or giggle. This is a great opportunity for the Department to take the high road of service to students. Take it. Please.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Pauline_Abernathy@ed.gov@INET@LNGTWY (Pauline_Abernathy@ed.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-NOV-1997 15:36:45.00

SUBJECT: Sallie Mae announcement on Loan Consolidation

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: Wayne Upshaw@EOP (Wayne Upshaw@EOP [OMB])
READ:UNKNOWN

TO: Barry White@EOP (Barry White@EOP [OMB])
READ:UNKNOWN

TEXT:

FYI. Sallie Mae just sent me the email below indicating they are suspending their processing of loan consolidations. We may well get press
calls about it asking if we can take the people they turn away. I would think
we will need to evaluate how best to meet students' needs in light of SM's announcement -- is this right? Stephanie, can you check to see if there is
already a story out there? Can someone get the USAG press release and send it
around?

I wanted to advise you that we are suspending the processing of loan consolidation applications. We are doing this because of economic and operational issues created by the new legislation.

We are working with our borrowers to provide them with repayment relief outside of loan consolidation. For borrwervers who desire loan consolidation, we are advising them to be in touch with other FFELP lenders, unless the Deparment wants us to refer them there (?).

You may have seen the press release from the USA Group indicating that they
will make these loans. You should be aware that they process far fewer consolidation loans than Sallie Mae has in the past.

Call me if you need further info!

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQ4DKVJDC000PJ4W@PMDF.EOP.GOV>; Mon, 17 Nov 1997 15:31:59 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ4DKU6CA800VJAN@PMDF.EOP.GOV>; Mon,

17 Nov 1997 15:31:56 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQ4DKE9Z3E001P2I@STORM.EOP.GOV>; Mon,
17 Nov 1997 15:31:36 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id PAA25121; Mon,
17 Nov 1997 15:28:31 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 0007E63B; Mon,
17 Nov 1997 15:31:43 -0500
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:18-NOV-1997 12:20:06.00

SUBJECT: Consolidation Questions

TO: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/18/97
12:20 PM ---------------------------

ElmendorfE @ aascu.nche.edu
11/18/97 10:14:00 AM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Consolidation Questions

> ----------
> From: Watkins, Patricia[SMTP:PWATKINS@ADMIN.USF.EDU]
> Sent: Tuesday, November 18, 1997 10:14:24 AM
> To: FINAID-L@LISTS.PSU.EDU
> Subject: Consolidation Questions
> Auto forwarded by a Rule
>

Stephen:

We have just had the same thing happen here in Florida. Student called and was told that Sallie was not consolidating.

This may be related to the recently passed legislation requiring all consolidated loans to have a variable interest rate - this was part of the one year fix so direct loans could be consolidated into the FFELP program.

There is nothing official from Sallie Mae yet.

Since many schools are now conducting exit interviews for Fall term grads, it would be great it Sallie would let us know something right away. We try to provide good consumer information, so lets all sing the same song...and don't change the lyrics in the middle of the verse.

To the tune of "Sixteen Tons"

Sixteen Years and what do you get
Another year wiser but deeper in debt
Saint Peter come and take me
'cuz I can't pay
I owe my soul to
Sallie Mae

Pat Watkins
University of South Florida
PWATKINS@ADMIN.USF.EDU

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQ5HODTIUO00Y6S4@PMDF.EOP.GOV> for shireman_r@a1.eop.gov; Tue,
18 Nov 1997 10:40:10 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ5HOBL5C000XFM1@PMDF.EOP.GOV> for
shireman_r@a1.eop.gov; Tue, 18 Nov 1997 10:40:07 -0500 (EST)
Received: from ptah.aascu.nche.edu ([205.128.140.10])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQ5HO8P4OE001SNR@STORM.EOP.GOV> for shireman_r@a1.eop.gov;
Tue, 18 Nov 1997 10:40:01 -0500 (EST)
Received: by aascu.nche.edu with Internet Mail Service (5.0.1458.49)
id <40PVSG16>; Tue, 18 Nov 1997 10:38:54 -0500
Received: from psuvm.psu.edu by ptah.aascu.nche.edu with SMTP
(Microsoft Exchange Internet Mail Service Version 5.0.1458.49)
id 40PVSG1Z; Tue, 18 Nov 1997 10:38:48 -0500
Received: from PSUVM.PSU.EDU by LISTS.PSU.EDU (IBM VM SMTP V2R2)
with BSMTP id 2496; Tue, 18 Nov 1997 10:07:55 -0500 (EST)
Received: from LISTS.PSU.EDU (NJE origin LISTSERV@PSUVM)
by PSUVM.PSU.EDU (LMail V1.2c/1.8c) with BSMTP id 9922; Tue,
18 Nov 1997 10:07:55 -0500
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:18-NOV-1997 07:37:46.00

SUBJECT: Re: Sallie Mae announcement on Loan Consolidation

TO: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Peter A. Weissman/OPD/EOP on 11/18/97
07:37 AM ---------------------------

Robert M. Shireman
11/17/97 11:40:02 PM
Record Type: Record

To: Peter A. Weissman/OPD/EOP
cc:
Subject: Re: Sallie Mae announcement on Loan Consolidation

Please make sure Gene sees.
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/17/97
11:39 PM ---------------------------

Robert M. Shireman
11/17/97 11:38:40 PM
Record Type: Record

To: Gene B. Sperling/OPD/EOP, Russell W. Horwitz/OPD/EOP
cc:
Subject: Re: Sallie Mae announcement on Loan Consolidation

GENE: You will remember that the Labor-HHS bill included a provision allowing for two-way consolidation of student loans, particularly allowing direct loans to be consolidated into guaranteed loans (rather than only the opposite). In authorizing this change, Congress also lowered the maximum interest rate on those loans from 9% to a variable T + 3.25. Because of the old high rate, Congress had slapped a 105 basis point annual fee on lenders. But in lowering the rate, Congress did not change the fee.

Because of the reduced yield as well as "operational" issues, Sallie Mae -- the largest consolidator of student loans -- has announced it is pulling out of the consolidation business.

Some of the non-profits -- which raise their funds from tax-exempt bonds and therefore can handle the lower margin easier -- are expand their offerings in the market. But there will certainly be disruption, expecially with the Department's contractor, EDS, still not accepting new applications. I'm waiting for ED's plan for what they will announce in response.

Further background: We resisted this legislation, but ultimately did not want to be seen as responsible for killing it. Sallie Mae privately expressed some reservations about the legislation, but never made its opposition clear publicly (they were expecting others to kill it).

---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/17/97 11:31 PM ---------------------------

Stephanie_Babyak @ ed.gov
11/17/97 04:13:00 PM
Record Type: Record

To: Barry White, Robert M. Shireman, Wayne Upshaw
cc:
Subject: Re: Sallie Mae announcement on Loan Consolidation

We're checking now but will look in Tuesday's press also. I'll forward whatever we find.

______________________________ Reply Separator
____

Subject: Sallie Mae announcement on Loan Consolidation
Author: Pauline Abernathy at WDCB01
Date: 11/17/97 3:23 PM

FYI. Sallie Mae just sent me the email below indicating they are suspending their processing of loan consolidations. We may well get press
calls about it asking if we can take the people they turn away. I would think
we will need to evaluate how best to meet students' needs in light of SM's announcement -- is this right? Stephanie, can you check to see if there is
already a story out there? Can someone get the USAG press release and send it
around?

I wanted to advise you that we are suspending the processing of loan consolidation applications. We are doing this because of economic and operational issues created by the new legislation.

We are working with our borrowers to provide them with repayment relief outside of loan consolidation. For borrwervers who desire loan consolidation, we are advising them to be in touch with other FFELP lenders, unless the Deparment wants us to refer them there (?).

You may have seen the press release from the USA Group indicating that they
will make these loans. You should be aware that they process far fewer consolidation loans than Sallie Mae has in the past.

Call me if you need further info!

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IQ4F75MFOG00X2KF@PMDF.EOP.GOV>; Mon, 17 Nov 1997 16:18:11 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ4F727Q8W0109GR@PMDF.EOP.GOV>; Mon,

 17 Nov 1997 16:18:07 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IQ4F6NCPKU001P30@STORM.EOP.GOV>; Mon,
 17 Nov 1997 16:17:47 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
 by vader.ed.gov (8.8.7/8.8.4) with SMTP id QAA26731; Mon,
 17 Nov 1997 16:14:41 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
 (IMA Internet Exchange 2.12 Enterprise) id 0007E818; Mon,
 17 Nov 1997 16:17:49 -0500
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: daily@chronicle.com@INET@LNGTWY (daily@chronicle.com@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:19-NOV-1997 10:23:34.00

SUBJECT: 11/19/97 Daily Report from ACADEME TODAY

TO: Robert M. Shireman@EOP (Robert M. Shireman@EOP [OPD])
READ:UNKNOWN

TO: Beverly K. Hartline@EOP (Beverly K. Hartline@EOP [OSTP])
READ:UNKNOWN

TEXT:
Academe Today's DAILY REPORT
for subscribers of The Chronicle of Higher Education

Good day!

Here are news bulletins from The Chronicle of Higher Education
for Wednesday, November 19.

* THE NATIONAL COMMISSION on the Cost of Higher Education plans to recommend that Congress require colleges to disclose more financial information to help students and their parents better understand why the institutions charge what they do, panel members said Tuesday. They also decided to recommend that the federal government pay for a campaign to educate families about the availability of student aid, and they postponed a decision about whether to call for the reinstatement of mandatory retirement for college professors.

* THE STUDENT LOAN MARKETING ASSOCIATION has temporarily stopped allowing its borrowers to consolidate multiple loans into single loans because a law enacted last week would make it unprofitable to do so, association officials said Tuesday.

* THE TRADITIONAL WAYS that colleges have combatted alcohol abuse are "insufficient," and more-sophisticated strategies are needed, according to a report by six college presidents that was released Tuesday. The report calls on colleges to collect data on the extent to which alcohol abuse is a problem on their campuses, and to consider banning all alcohol advertisements.

* THE SOUTHERN ASSOCIATION of Colleges and Schools plans to abandon a controversial policy that prevents its member institutions from accepting transfer credits earned by students at many vocational and technical colleges. The proposed change is expected to win tentative approval from an Education Department panel that is to discuss the issue

today, and has apparently satisfied Justice Department investigators who questioned the legality of the policy.

* A PHYSICS PROFESSOR at Oregon State University says the U.S. Department of Education rejected a grant proposal because the type on the application was too small and was not double-spaced -- flaws the professor didn't notice because he is blind.

* JOSEPH J. ELLIS, a history professor at Mount Holyoke College, won the 1997 National Book Award for Nonfiction on Tuesday night for his new biography of Thomas Jefferson. National Book Awards in fiction, poetry, and young-people's literature were also presented.

--> FOR MORE ON THOSE STORIES, go to The Chronicle's World-Wide Web site http://chronicle.com

---

INFORMATION TECHNOLOGY

* COLLEGE PROFESSORS, public-school teachers, local historians, and others have collaborated to create a lively on-line history of Oberlin, Ohio, and of the college that shares its name.

* PLUS: A Boston College site about legal issues in intellectual property and technology, in our In Sites column; our extensive data base of academic resources on the Internet; and much more.

--> FOR MORE, go to http://chronicle.com/infotech

ALSO ON THE CHRONICLE'S WORLD-WIDE WEB SITE

NEW GRANT COMPETITIONS: Grants to support research to decontaminate nuclear facilities.

NEW ACTIONS IN WASHINGTON: One new appeal to the Supreme Court, on whether a change of venue is needed to insure a fair trial of a coach's lawsuit. One appeal denied by the Court, on alleged breach of procedural due process in promotions. Eight new bills i n Congress, on campus hate crimes, on clinical research, on environmental research, on financial aid, on Florida A&M University, on loan forgiveness, on marine research, and on research tax credit.

MAGAZINES & JOURNALS

A glance at the November issue of "The American Lawyer": The Berkeley law school's affirmative-action dilemma

Since the University of California at Berkeley's law school announced last summer that it would have only one black student in its entering class because of an affirmative-action ban imposed by the university's Board of Regents, the school has been the focus of attention in the affirmative-action debate. Some critics have blamed Ward Connerly, the regent who led the effort to impose the ban, while others have blamed administrators at Berkeley's law school, known as Boalt Hall. Is the law school to blame? No, writes John E. Morris, an editor at the magazine. Mr. Morris examines how minority preferences worked at the law school, citing statistics on test scores and college grades that he says are rarely considered in the debate over affirmative action. Despite a generation of affirmative action at the university, he writes, few black and Hispanic applicants to law schools are matching the grades and scores of white and Asian students. (The magazine may be found at your library or newsstand.)

LEARN MORE ABOUT COLLEGE COSTS

Our Web site has an Information In Depth section on tuition that includes Chronicle articles about federal, state, and campus efforts to control costs, plus key documents and facts and figures. Just click on "Information In Depth" on the front page and then on "Tuition and Fees."

TODAY'S EVENTS

* The annual meeting of the Council of Colleges of Arts and Sciences runs today through Saturday in New Orleans.

* The annual meeting of the National Communication Association runs today through Sunday at the Chicago Hilton Hotel and Towers.

* The annual conference of the National Alliance of Black School Educators meets today through Sunday at the Nugget Hotel, in Reno.

Those are just a few of the hundreds of coming events listed on our Web site. On the front page, click on "Information Bank" and then on "Coming events."

You may visit Academe Today as follows:

* via the World-Wide Web, at http://chronicle.com
* via telnet at chronicle.com

For information, send a message to help-today@chronicle.com

==================== ATTACHMENT 1

====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IQ6V0IB0W00116SL@PMDF.EOP.GOV>; Wed, 19 Nov 1997 10:12:34 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ6V0BRIVK00ZC2U@PMDF.EOP.GOV>; Wed,

 19 Nov 1997 10:12:31 -0500 (EST)
Received: from merit.chronicle.com ([198.108.1.219])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IQ6UZPF7EQ001UF7@STORM.EOP.GOV>; Wed,
 19 Nov 1997 10:11:53 -0500 (EST)
Received: from localhost (daemon@localhost)
 by merit.chronicle.com (8.8.7/Chronicle) with SMTP id KAA10128; Wed,
 19 Nov 1997 10:04:00 -0500 (EST)
Received: by merit.chronicle.com (bulk_mailer v1.5); Wed,
 19 Nov 1997 07:35:02 -0500
Received: (from che@localhost) by merit.chronicle.com (8.8.7/Chronicle)
 id HAA06802 for daily; Wed, 19 Nov 1997 07:35:01 -0500 (EST)
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:19-NOV-1997 23:43:04.00

SUBJECT: Mentoring

TO: Pauline_Abernathy (Pauline_Abernathy @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

CC: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TEXT:
Gene spoke to NAICU presidents this afternoon. Many promised to fax info about their own programs and/or ideas (so we might get a couple).

One item that should be looked into right away:

--Frank Wilbur and Leo Lambert and Syracuse University reportedly have a catalog of early intervention programs that is now in its third edition.

Other notes/comments/programs:

--Need to allow funds to be used for stipends to encourage student involvement. In poor areas, need to mimic job-like responsibility. . . (BUT, someone noted, also need to make sure it doesn't disturb workfare requirements, etc.)

--One college links with Junior Achievement.

--A women's college has African American students who serve as GIRL SCOUT leaders. Need money for uniforms, transportation. . .

--"Summer Bridge" program in 37 sites, was started years ago through a federal grant and is now privately funded. 6 week summer program

--Coca Cola Foundation funds a lot of college-school mentoring partnerships.

--Sallie Mae funds a 30-college "Kids to College" middle school effort in Massachusetts, through the private college assn.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:19-NOV-1997 13:01:46.00

SUBJECT: 11/19/97 Daily Report from ACADEME TODAY

TO: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Read this and then touch base at some point today with Jake to help with the planning effort for the one year information campaign on higher ed access. As Bob and I have both said, Gene will rightfully execute someone if this happens and its not our proposal -- he came up with the damn idea four months ago.

---------------------- Forwarded by Jonathan A. Kaplan/OPD/EOP on 11/19/97 01:07 PM ---------------------------

Robert M. Shireman
11/19/97 10:57:44 AM
Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP
cc:
Subject: 11/19/97 Daily Report from ACADEME TODAY

FYI
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/19/97 10:58 AM ---------------------------

Robert M. Shireman
11/19/97 10:57:01 AM
Record Type: Record

To: Jake Siewert/OPD/EOP
cc: Jonathan Orszag/OPD/EOP
Subject: 11/19/97 Daily Report from ACADEME TODAY

"They also decided to recommend
that the federal government pay for a campaign to educate
families about the availability of student aid" (see below)

Jon and I got a one-pager from ED about this yesterday. We need to think about how we leak the fact that this has been worked on for months, with focus groups, etc., and that there will be a big announcement. . . Gene

will kill us if this looks like it was someone else's idea.
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/19/97 10:49 AM ---------------------------

daily @ chronicle.com
11/19/97 08:00:00 AM
Record Type: Record

To: Beverly K. Hartline, Robert M. Shireman
cc:
Subject: 11/19/97 Daily Report from ACADEME TODAY

Academe Today's DAILY REPORT
for subscribers of The Chronicle of Higher Education

Good day!

Here are news bulletins from The Chronicle of Higher Education for Wednesday, November 19.

* THE NATIONAL COMMISSION on the Cost of Higher Education plans to recommend that Congress require colleges to disclose more financial information to help students and their parents better understand why the institutions charge what they do, panel members said Tuesday. They also decided to recommend that the federal government pay for a campaign to educate families about the availability of student aid, and they postponed a decision about whether to call for the reinstatement of mandatory retirement for college professors.

* THE STUDENT LOAN MARKETING ASSOCIATION has temporarily stopped allowing its borrowers to consolidate multiple loans into single loans because a law enacted last week would make it unprofitable to do so, association officials said Tuesday.

* THE TRADITIONAL WAYS that colleges have combatted alcohol abuse are "insufficient," and more-sophisticated strategies are needed, according to a report by six college presidents that was released Tuesday. The report calls on colleges to collect data on the extent to which alcohol abuse is a problem on their campuses, and to consider banning all alcohol advertisements.

* THE SOUTHERN ASSOCIATION of Colleges and Schools plans to abandon a controversial policy that prevents its member institutions from accepting transfer credits earned by students at many vocational and technical colleges. The proposed change is expected to win tentative approval from an Education Department panel that is to discuss the issue today, and has apparently satisfied Justice Department investigators who questioned the legality of the policy.

* A PHYSICS PROFESSOR at Oregon State University says the U.S. Department of Education rejected a grant proposal because the type on the application was too small and was not double-spaced -- flaws the professor didn't notice because he is blind.

* JOSEPH J. ELLIS, a history professor at Mount Holyoke College, won the 1997 National Book Award for Nonfiction on Tuesday night for his new biography of Thomas Jefferson. National Book Awards in fiction, poetry, and young-people's literature were also presented.

--> FOR MORE ON THOSE STORIES, go to The Chronicle's World-Wide Web site http://chronicle.com

---

INFORMATION TECHNOLOGY

* COLLEGE PROFESSORS, public-school teachers, local historians, and others have collaborated to create a lively on-line history of Oberlin, Ohio, and of the college that shares its name.

* PLUS: A Boston College site about legal issues in intellectual property and technology, in our In Sites column; our extensive data base of academic resources on the Internet; and much more.

--> FOR MORE, go to http://chronicle.com/infotech

ALSO ON THE CHRONICLE'S WORLD-WIDE WEB SITE

NEW GRANT COMPETITIONS: Grants to support research to decontaminate nuclear facilities.

NEW ACTIONS IN WASHINGTON: One new appeal to the Supreme Court, on whether a change of venue is needed to insure a fair trial of a coach's lawsuit. One appeal denied by the Court, on alleged breach of procedural due process in promotions. Eight new bills i n Congress, on campus hate crimes, on clinical research, on environmental research, on financial aid, on Florida A&M University, on loan forgiveness, on marine research, and on research tax credit.

MAGAZINES & JOURNALS

A glance at the November issue of "The American Lawyer": The Berkeley law school's affirmative-action dilemma

Since the University of California at Berkeley's law school announced last summer that it would have only one black student in its entering class because of an affirmative-action ban imposed by the university's Board of Regents, the school has been the focus of attention in the affirmative-action debate. Some critics have blamed Ward Connerly, the regent who led the effort to impose the ban, while others have blamed administrators at Berkeley's law school, known as Boalt Hall. Is the law school to blame? No, writes John E. Morris, an editor at the magazine. Mr. Morris examines how minority preferences worked at the law school, citing statistics on test scores and college grades that he says are rarely considered in the debate over affirmative action. Despite a generation of affirmative action at the university, he writes, few black and Hispanic applicants to law schools are matching the grades and scores of white and Asian students. (The magazine may be found at your library or newsstand.)

LEARN MORE ABOUT COLLEGE COSTS

Our Web site has an Information In Depth section on tuition that includes Chronicle articles about federal, state, and campus efforts to control costs, plus key documents and facts and figures. Just click on "Information In Depth" on the front page and then on "Tuition and Fees."

TODAY'S EVENTS

* The annual meeting of the Council of Colleges of Arts and Sciences runs today through Saturday in New Orleans.

* The annual meeting of the National Communication Association runs today through Sunday at the Chicago Hilton Hotel and Towers.

* The annual conference of the National Alliance of Black School Educators meets today through Sunday at the Nugget Hotel, in Reno.

Those are just a few of the hundreds of coming events listed on our Web site. On the front page, click on "Information Bank" and then on "Coming events."

You may visit Academe Today as follows:

* via the World-Wide Web, at http://chronicle.com
* via telnet at chronicle.com

For information, send a message to help-today@chronicle.com

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IQ6V0IB0W00116SL@PMDF.EOP.GOV>; Wed, 19 Nov 1997 10:12:34 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ6V0BRIVK00ZC2U@PMDF.EOP.GOV>; Wed,

 19 Nov 1997 10:12:31 -0500 (EST)
Received: from merit.chronicle.com ([198.108.1.219])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IQ6UZPF7EQ001UF7@STORM.EOP.GOV>; Wed,
 19 Nov 1997 10:11:53 -0500 (EST)
Received: from localhost (daemon@localhost)
 by merit.chronicle.com (8.8.7/Chronicle) with SMTP id KAA10128; Wed,
 19 Nov 1997 10:04:00 -0500 (EST)
Received: by merit.chronicle.com (bulk_mailer v1.5); Wed,
 19 Nov 1997 07:35:02 -0500
Received: (from che@localhost) by merit.chronicle.com (8.8.7/Chronicle)
 id HAA06802 for daily; Wed, 19 Nov 1997 07:35:01 -0500 (EST)
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:19-NOV-1997 10:57:09.00

SUBJECT: 11/19/97 Daily Report from ACADEME TODAY

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
"They also decided to recommend
that the federal government pay for a campaign to educate
families about the availability of student aid" (see below)

Jon and I got a one-pager from ED about this yesterday. We need to think
about how we leak the fact that this has been worked on for months, with
focus groups, etc., and that there will be a big announcement... Gene
will kill us if this looks like it was someone else's idea.
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/19/97
10:49 AM ---------------------------

daily @ chronicle.com
11/19/97 08:00:00 AM
Record Type: Record

To: Beverly K. Hartline, Robert M. Shireman
cc:
Subject: 11/19/97 Daily Report from ACADEME TODAY

Academe Today's DAILY REPORT
for subscribers of The Chronicle of Higher Education

Good day!

Here are news bulletins from The Chronicle of Higher Education
for Wednesday, November 19.

* THE NATIONAL COMMISSION on the Cost of Higher Education plans
to recommend that Congress require colleges to disclose more
financial information to help students and their parents
better understand why the institutions charge what they do,
panel members said Tuesday. They also decided to recommend
that the federal government pay for a campaign to educate
families about the availability of student aid, and they
postponed a decision about whether to call for the

reinstatement of mandatory retirement for college professors.

* THE STUDENT LOAN MARKETING ASSOCIATION has temporarily stopped allowing its borrowers to consolidate multiple loans into single loans because a law enacted last week would make it unprofitable to do so, association officials said Tuesday.

* THE TRADITIONAL WAYS that colleges have combatted alcohol abuse are "insufficient," and more-sophisticated strategies are needed, according to a report by six college presidents that was released Tuesday. The report calls on colleges to collect data on the extent to which alcohol abuse is a problem on their campuses, and to consider banning all alcohol advertisements.

* THE SOUTHERN ASSOCIATION of Colleges and Schools plans to abandon a controversial policy that prevents its member institutions from accepting transfer credits earned by students at many vocational and technical colleges. The proposed change is expected to win tentative approval from an Education Department panel that is to discuss the issue today, and has apparently satisfied Justice Department investigators who questioned the legality of the policy.

* A PHYSICS PROFESSOR at Oregon State University says the U.S. Department of Education rejected a grant proposal because the type on the application was too small and was not double-spaced -- flaws the professor didn't notice because he is blind.

* JOSEPH J. ELLIS, a history professor at Mount Holyoke College, won the 1997 National Book Award for Nonfiction on Tuesday night for his new biography of Thomas Jefferson. National Book Awards in fiction, poetry, and young-people's literature were also presented.

--> FOR MORE ON THOSE STORIES, go to The Chronicle's World-Wide Web site http://chronicle.com

---

INFORMATION TECHNOLOGY

* COLLEGE PROFESSORS, public-school teachers, local historians, and others have collaborated to create a lively on-line history of Oberlin, Ohio, and of the college that shares its name.

* PLUS: A Boston College site about legal issues in intellectual property and technology, in our In Sites column; our extensive data base of academic resources on the Internet; and much more.

--> FOR MORE, go to http://chronicle.com/infotech

ALSO ON THE CHRONICLE'S WORLD-WIDE WEB SITE

NEW GRANT COMPETITIONS: Grants to support research to decontaminate nuclear facilities.

NEW ACTIONS IN WASHINGTON: One new appeal to the Supreme Court, on whether a change of venue is needed to insure a fair trial of a coach's lawsuit. One appeal denied by the Court, on alleged breach of procedural due process in promotions. Eight new bills i n Congress, on campus hate crimes, on clinical research, on environmental research, on financial aid, on Florida A&M University, on loan forgiveness, on marine research, and on research tax credit.

MAGAZINES & JOURNALS

A glance at the November issue of "The American Lawyer":
The Berkeley law school's affirmative-action dilemma

Since the University of California at Berkeley's law school announced last summer that it would have only one black student in its entering class because of an affirmative-action ban imposed by the university's Board of Regents, the school has been the focus of attention in the affirmative-action debate. Some critics have blamed Ward Connerly, the regent who led the effort to impose the ban, while others have blamed administrators at Berkeley's law school, known as Boalt Hall. Is the law school to blame? No, writes John E. Morris, an editor at the magazine. Mr. Morris examines how minority preferences worked at the law school, citing statistics on test scores and college grades that he says are rarely considered in the debate over affirmative action. Despite a generation of affirmative action at the university, he writes, few black and Hispanic applicants to law schools are matching the grades and scores of white and Asian students. (The magazine may be found at your library or newsstand.)

LEARN MORE ABOUT COLLEGE COSTS

Our Web site has an Information In Depth section on tuition that includes Chronicle articles about federal, state, and campus efforts to control costs, plus key documents and facts and figures. Just click on "Information In Depth" on the front page and then on "Tuition and Fees."

TODAY'S EVENTS

* The annual meeting of the Council of Colleges of Arts and Sciences runs today through Saturday in New Orleans.

* The annual meeting of the National Communication Association runs today through Sunday at the Chicago Hilton Hotel and Towers.

* The annual conference of the National Alliance of Black School Educators meets today through Sunday at the Nugget Hotel, in Reno.

Those are just a few of the hundreds of coming events listed on our Web site. On the front page, click on "Information Bank" and then on "Coming events."

You may visit Academe Today as follows:

* via the World-Wide Web, at http://chronicle.com
* via telnet at chronicle.com

For information, send a message to help-today@chronicle.com

==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQ6V0IB0W00116SL@PMDF.EOP.GOV>; Wed, 19 Nov 1997 10:12:34 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQ6V0BRIVK00ZC2U@PMDF.EOP.GOV>; Wed,

19 Nov 1997 10:12:31 -0500 (EST)
Received: from merit.chronicle.com ([198.108.1.219])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQ6UZPF7EQ001UF7@STORM.EOP.GOV>; Wed,
19 Nov 1997 10:11:53 -0500 (EST)
Received: from localhost (daemon@localhost)
by merit.chronicle.com (8.8.7/Chronicle) with SMTP id KAA10128; Wed,
19 Nov 1997 10:04:00 -0500 (EST)
Received: by merit.chronicle.com (bulk_mailer v1.5); Wed,
19 Nov 1997 07:35:02 -0500
Received: (from che@localhost) by merit.chronicle.com (8.8.7/Chronicle)
id HAA06802 for daily; Wed, 19 Nov 1997 07:35:01 -0500 (EST)
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:20-NOV-1997 09:38:49.00

SUBJECT: Sallie Mae/Consolidation

TO: David_Longanecker (David_Longanecker @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

CC: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
Is ED close to being able to say something about this? I assume that the Chronicle is doing a story for next week (deadline tonight), and it would be good to be in it saying something like, "Starting Dec. 1, borrowers will have somewhere else to go, because the doors will open again on the DL consolidation program (and we'll offer the same discounts that SM was offering?!). We're also pleased that other lenders and secondary markets have stepped in and will offer service. Referrals will be available thro ugh the 800 number. . . ."

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:22-NOV-1997 15:16:48.00

SUBJECT: please review

TO: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
November 22, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC Weekly Report

IRS Problem Solving Day: Last Saturday, the IRS held its first national problem solving day. I held a meeting several days before to coordinate our approach. As part of our action plan following the Senate hearings, these days are designed to provide taxpayers a convenient opportunity to sit down face to face with an IRS official and address their specific problems. Secretary Rubin, along with new Commissioner Rossotti, attended Baltimore ,s problem solving day last Saturday. The event generated positive news coverage, with most of the focus on the agency ,s attempt to better address the needs of taxpayers through greater accessability. In the course of the day, 550 people had problems solved by phone prior when calling to make appointment for Saturday; 3,704 people had appointments; and 2,580 walked in to have a problem addressed; in total 6,834 taxpayers participated. The IRS plans to continue these events monthly for the next six months and permanently thereafter if there is sufficient demand.

To coincide with the IRS , efforts, Republicans, across the county, held their own events to highlight their efforts to reform the IRS and &scrap the taxcode. 8 These events did not generate as much media interest as the problem solving days.

IRS Questionnaire: In another development, in the final days of the session, the Republicans dropped Speaker Gingrich ,s proposed IRS questionnaire. Working with Hill Democrats, we made the case that $48 million is too much to pay for an inaccurate and biased survey. As a number of editorials noted, critical questions, such as relating to tax fairness, were not included in the Speaker ,s questionnaire. Speaker Gingrich has indicated, however, that he intends to resurrect the questionnaire next year.

Social Security: I have been holding a set of meetings in which the economic team is examining possible uses of the projected unified budget surplus -- from financing a broad-based tax reform to strengthening the Social Security system. Many of us believe that using the surplus in some way to bolster the Social Security and retirement system may be the only way to ensure that the projected surpluses actually raise national saving, rather than being dissipated in misguided tax cuts or spending proposals. And while there are many difficult issues involved, the impact of using the surplus for Social Security is potentially dramatic. We hope to meet with you next week to discuss our preliminary thoughts on these issues.
Chairman Greenspan Testimony: Alan Greenspan testified before the Senate Budget Committee's Task Force on Social Security on Thursday. He emphasized the importance of higher national saving in allowing the country to finance the consumption needs of both retirees and active workers as the baby boomers retire. He raised the possibility of issuing "recognition bonds" to individuals, to recognize the government's liability for future Social Security benefits (depending on the discount rate used, these recognition bonds would amount to somewhere between $5 trillion and $12 trillion). He also voiced support for raising the retirement age as life expectancy rises, improving the accuracy of the COLAs, and considering individual accounts.

National Committee to Preserve Social Security and Medicare: Last week, I met with Martha McSteen and Max Richtman from the National Committee to Preserve Social Security and Medicare, the nation's second-largest senior lobbying group with about six million members. They emphasized that the basic Social Security system should be maintained, although perhaps not precisely in its current form. For example, they were willing to consider investing some portion of the Trust Fund in equities. They very much favored using 1998 to hold fora and educational events across the country, rather than to promote a comprehensive set of specific proposals. They were particularly enthusiastic about having you lead a series of local &town halls 8 on the issue over the next year.

Another interesting aspect of the issue that they emphasized was that 38 percent of Social Security beneficiaries are not retired workers (62 percent are retired workers, 12 percent are widows or widowers, 10 percent are disabled workers, 7 percent are spouses of retired workers, 4 percent are surviving children, 3 percent are children of disabled workers, 1 percent are children of retired workers, and 1 percent are either widowed parents or spouses of disabled workers). In their experience, publicizing this fact helped them to interest a broader audience in the debate.
[Peter, thought it may be interesting for him to see full breakdown, but if don ,t agree, will shorten it]
The Social Security issue also features prominently in the discussions I am leading on tax reform and the budget surplus (see below).

Tax Reform and Budget Surpluses: I am now holding regular meetings (3 or more times per week) with Secretary Rubin, Director Raines, Rahm, Larry Summers, Jack Lew, Janet Yellen, Ron Klain, John Hilley, and others to discuss tax reform and the budget surplus. One key issue that has arisen is to what extent taxpayers are frustrated with the tax system because taxes are simply &too high, 8 and to what extent the source of frustration is that the act of filling out the tax forms is too intimidating. As a possible response to the second source of frustration, we are trying to think creatively about how we can move to more of a &return-free 8 system (one that would rely on payroll deductions and other devices to avoid filing a tax form). We are also examining a wide range of possible reforms, including some sort of VAT system, Representative Gephardt's proposal, and a set of less dramatic -- but still quite beneficial -- changes to the existing code.

6th Grade Mentoring: We continue to gather input from college presidents and associations, and the feedback is overwhelmingly positive. Last week, as a follow-up to my meeting with the Yale president, ACE hosted a discussion about the possible design of a program. On Monday, six California State University presidents responded to our call for ideas with a proposal that the Cal State system use math -- algebra as the gateway to college -- as an organizing theme for an early intervention program. On Tuesday, the Education Department reported back to us on an effort that they have undertaken to gather descriptions of model programs, and to synthesize the research on this topic. On Wednesday, I spoke to 150 private college presidents at a meeting of the National Association of Independent Colleges and Universities. Today, I discussed the issue in the context of Hispanic dropouts (see below).

Hispanic Education: On Friday, I had a productive discussion with more than a dozen Hispanic and education organizations, as well as some congressional staff, on the status of the FY 1999 Budget process, and on our efforts to ensure that the needs of Hispanic Americans are addressed. I asked for their top recommendations for funding, as a part of the larger action plan that will also include administrative actions. Maria Echaveste put together the event, and Mickey Ibarra also participated, along with representatives of the Race Initiative, the White House Commission on Educational Excellence for Hispanic Americans, the DPC, Legislative Affairs, the Vice President ,s office, and the Education Department.

Student Loan Consolidation Backlog: Education is on track to re-open the doors to new consolidation applications by December 1. In a strange new twist, the &emergency 8 legislation Congress passed (attached to Labor-HHS appropriations) to help address the backlog has caused the largest consolidator, Sallie Mae, to shut down its consolidation operations. The legislation lowers the interest rate to make it comparable to direct lending, but Sallie says it is no longer profitable. Education is satisfied that EDS has developed enough capacity to handle the large numbers that are expected when the doors open, even given the Sallie Mae announcement (other lenders are staying in and hoping to gain market share). But at the urgingin of Bob Shireman, on our staff, the Department is also developing a &safety valve: 8 the ability to refer applications to lenders with capacity to handle them promptly, just in case there is more demand than expected, or other problems at EDS.

Student Loan Reform: Early next year, we will need to negotiate with the industry over the new, lower interest rate that goes into effect next July. It is tied to 10-year bond rates, which is a problem for lenders and should be changed. But the question is, changed to what? We have convened a small group from Treasury and CEA to discuss the possibility of using an auction mechanism to set the maximum rate. An auction is used for a small medical loan program and shows promise, but it is more complex for the guaranteed loan program. My guess is that we will not ultimately go this direction, but it is an important area to explore.

America Reads: At our suggestion, Education will issue a regulation soon that expands the work-study waiver to include tutors in family literacy programs (like HIPPY) where the primary goal is improving the child ,s reading skills. (The regulation must be issued by December 1 in order to take effect next July). Carol Rasco had heard from a number of colleges that work with both the parent and the child, concerned that they were forced to differentiate the hours spent with the child versus the parent or caregiver.

School Construction: Bob Shireman met with Rebuilding America ,s Schools, a coalition of education groups, architects, bond professionals, and others dedicated to addressing school infrastructure needs. Bob floated some ideas with them, expecting that they would be inclined to support the initial design of our proposal, which had garnered an impressive number of cosponsors. However, some of them argued for other approaches, including on the tax side of the ledger. Regardless of the design, they felt strongly that $5 billion is the minimum needed for credibility on this issue.

School Construction has also come up in other contexts, including the Hispanic meeting and discussions of the needs of the Democrats on the Hill. We are exploring the idea of extending the proposal beyond five years so that we can expand its size without affecting FY99 outlays. This might allow us to provide more help to growing suburbs, a change that many Democrats would appreciate.

Empowerment Zone Conference Call. This week and last, the Community Empowerment Board, comprising the DPC, HUD, OMB and the NEC held conference calls to discuss the process of designating the second-round of empowerment zones. All of the participants agreed that the Administration should aggressively seek flexible grant funding for these zones, which is currently lacking, during the FY 99 budget process (the dollars could be mandatory or discretionary). Most of the participants further felt that the Administration should not name the zones until the outcome of the budget process is known, largely because it would be most difficult for communities to develop EZ applications (i.e., comprehensive strategic plans) with no notion of how much, if any, grant funding will be available.

The group reached a tentative consensus that communities should begin developing EZ applications in April-June 1998 but should not submit the plans until October or November of that year, after the FY 99 budget process is completed (the exact timetable would depend on whether the

Administration seeks mandatory or discretionary EZ grant funds).

Climate Change: On Wednesday, Todd Stern and I addressed the Global Climate Coalition, a grouping of business interests which are opposed to binding targets and which are sponsoring ads against our position. We felt that it was important to explain the logic behind our approach to the people who are perhaps its sharpest business critics. The event was a success in allowing us to present the Administration's view, but -- perhaps not surprisingly -- we may not have succeeded in converting them completely to our perspective. We have also been working intensively on a diplomatic strategy for APEC, Kyoto, and beyond. A separate memorandum has been submitted to you on the state of play and how we can use the APEC meetings to advance our joint implementation and developing country positions.

Minority Owned Businesses and Banks: As he mentioned in his letter to you, I met with the Rev. Charles Stith, to discuss a report his organization recently released, entitled: &Minority-Owned Businesses & Their Banking Relationships: Business in the Black Does Not Always Equal Green. 8 As you noted in his letter to you, the main point of the study is that minority businesses lack sufficient access to capital.

Rev. Stith ,s report includes a series of recommendations on how to increase bank lending to minority-owned businesses We are working with DPC, Treasury and others, as part of the economic empowerment policy effort, to finalize a fair lending package which would include an examination of credit scoring as well as a Presidential request to the Federal Reserve to allow collection and reporting of race and income data as part of the small business and small farm lending reporting requirement, and a similar request to the FTC to obtain such data in the credit card area. Additionally, SBA has an effort underway to substantially increase the share of its 7(a) loan guarantees going to minority and women-owned businesses. We will keep you updated on our work in this area.

Universal Service: As part of the Telecommunications Act of 1996, the Congress (with strong backing from the Administration) expanded the definition of universal service to include not only rural and low-income customers, but schools, libraries, and rural health care providers. All companies that provide telecommunications services pay in to the FCC's Universal Service Fund. Several long-distance companies are now considering adding a line to their bill that represents the cost of the Universal Service Fund. We are very concerned that this could undermine political support for the "e-rate" for schools and libraries. Along with Members of Congress, we are trying to discourage the long-distance companies from taking this step, which could come as early as Monday.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:24-NOV-1997 11:43:00.00

SUBJECT: Update #8: Direct Consolidation Loans

TO: David_Longanecker (David_Longanecker @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

CC: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
I must ask again: When will we be able to say that WE WILL MAKE SURE that those who need consolidation are attended to. Our latest pronouncement on finaid-l is not bold ("We believe that applicants for consolidation will continue to be assisted.")
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/24/97 11:40 AM ---------------------------

ElmendorfE @ aascu.nche.edu
11/22/97 04:47:00 PM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Update #8: Direct Consolidation Loans

> ----------
> From: CSB[SMTP:CSB@ED.GOV]
> Sent: Saturday, November 22, 1997 4:47:23 PM
> To: FINAID-L@lists.psu.edu
> Subject: Update #8: Direct Consolidation Loans
> Auto forwarded by a Rule
>

Dear Colleagues:

The following message was posted to the SFA BBS the evening of November 21. (Please disregard the time stamp of this message, as it is incorrect.) This message is being cross posted to FINAID-L, FINNET-L and MEDAID-L for your information.

SFA Customer Support Branch
U.S. Department of Education

****

Consolidation Update Eight

November 21, 1997

Dear Colleagues:

I am pleased to provide current information about our progress in processing Direct Loan consolidation applications as we move towards our goal of re-opening the Loan Consolidation Center to new applications beginning next month.

As you may know, the Student Loan Marketing Association (Sallie Mae) has announced a temporary suspension of new consolidation loan processing. The Department is consulting with other FFEL consolidation lenders concerning their current capacity and interest in increasing the number of consolidation applications. There remain other participants in the lending community who appear able and willing to offer consolidation options to interested borrowers. We believe that applicants for consolidation will continue to be assisted.

Please see the data below for the current status of application at our Direct Loan Consolidation Center:

Status:	As of 11/12/97	As of 11/17/97
I. Applications Consolidated (completed)	92,722	94,260
Applications Withdrawn/Deactivated	39,384	39,821
Applications in Process	10,750	8,775
II. Breakdown of Current Applications*:		
Applications in Pre-Certification Review stage (incomplete application)	0	0
Applications in Certification of Loan Amounts Stage (awaiting loan holder information):	248	135
Applications in Promissory Note Review	57	43
Applications in Promissory Note Stage	6,606	4,781

*In addition to the current applications, there are 3,816 reactivated applications which were, at one time, deactivated and are included in item I above as Applications in Process.

I look forward to providing future updates and sharing with you our plans for re-opening the Loan Consolidation Center to new applications.

Respectfully submitted,

Elizabeth M. Hicks
Deputy Assistant Secretary
Student Financial Assistance Programs

This message | Submissions -> FINAID-L@lists.psu.edu
was sent via | Subscribe/unsubscribe -> LISTSERV@lists.psu.edu
the FINAID-L | List owner (Bob Quinn) -> REQ1@psu.edu
mailing list | backup (Pete Weiss) -> FINAID-L-REQUEST@lists.psu.edu
-------------| send 1-line text INFO FINAID-L -> LISTSERV@LISTSERV.NET

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQA93FW2PS0121ET@PMDF.EOP.GOV> for shireman_r@a1.eop.gov; Fri,
21 Nov 1997 20:28:09 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQA93CJ8SG00TYAX@PMDF.EOP.GOV> for
shireman_r@a1.eop.gov; Fri, 21 Nov 1997 20:28:04 -0500 (EST)
Received: from ptah.aascu.nche.edu ([205.128.140.10])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQA92N00VS0027DC@STORM.EOP.GOV> for shireman_r@a1.eop.gov;
Fri, 21 Nov 1997 20:27:29 -0500 (EST)
Received: by aascu.nche.edu with Internet Mail Service (5.0.1458.49)
id <XJYSJNTL>; Fri, 21 Nov 1997 20:27:29 -0500
Received: from psuvm.psu.edu by ptah.aascu.nche.edu with SMTP
(Microsoft Exchange Internet Mail Service Version 5.0.1458.49)
id XJYSJNTK; Fri, 21 Nov 1997 20:27:22 -0500
Received: from PSUVM.PSU.EDU by lists.psu.edu (IBM VM SMTP V2R2)
with BSMTP id 3309; Fri, 21 Nov 1997 20:21:25 -0500 (EST)
Received: from LISTS.PSU.EDU (NJE origin LISTSERV@PSUVM)
by PSUVM.PSU.EDU (LMail V1.2c/1.8c) with BSMTP id 5402; Fri,
21 Nov 1997 20:21:25 -0500
Comments: To: FINNET-L@nevada.edu, MEDAID-L@infoserv.nymc.edu
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:25-NOV-1997 14:50:30.00

SUBJECT: Re: BARRONS - SALLIE MAE

TO: jonathan.gruber (jonathan.gruber @ MS01.do.treas.sprint.com @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
See mention of Treasury study
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/25/97
02:51 PM ---------------------------

tombutts @ umich.edu
11/25/97 02:41:00 PM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Re: BARRONS - SALLIE MAE

Barron's

11/22/97

Sallie Mae Snubs New Student Loan Program:A Barron's Feature
By Jim McTague

NEW YORK (AP-Dow Jones)--A federal law passed this month to open up to private-sector lenders the business of consolidating government-guaranteed student loans has already backfired and driven market giant Sallie Mae to the sidelines.

Some big bank lenders like Crestar and Student Loan Corp., which is 80% owned by Citicorp, will offer to consolidate student loans-that is, bring together into one package the several loans a student may have taken out while in college. But Sallie Mae, by far the largest participant in the student-loan market, and small banks are snubbing the program, mainly because the federal government insists on taking too big a cut of any profits. Sallie Mae had been handling 34% of all consolidations.

This is yet another problem for Sallie Mae created by Congress and a reason analysts like Smith Barney's Tom O'Donnell have cut estimates, causing Sallie's share price to plummet in recent weeks. As we've previously reported, another federal law that takes effect next July squeezes profits on student loans so dramatically that lenders predict students might have a problem borrowing tuition money. Congress went home this month without fixing that looming problem, spooking investors. Sallie Mae is confident repairs will be made before July.

An internal Treasury study will recommend some kind of adjustment in the law. But there's always the possibility that any cure could be as bad as, or only slightly better than, the looming problem. That's keeping investors with weak stomachs out of the stock, which analysts had been predicting has the potential in the next year to hit $180 a share.

Another scare factor: CEO Al Lord, who led a coup last summer against the old management, has filed to sell 7,800 of his 41,000 shares of Sallie Mae. "From a public-relations standpoint," grouses O'Donnell of Smith Barney, "not a positive move." But he doesn't think the sale foreshadows negative news from the company.
O'Donnell has, however, lowered his estimate for Sallie's fourth-quarter earnings to $2.48 a share from $2.58. For the full year, he looks for earnings of $9.25 a share, and for 1998, he calls for $11.10.

Though the larger problem in July is likely to be revisited by Congress, there's hardly any prospect of an adjustment in consolidation loan fees by Congress until after next year's general elections. But Sallie Mae can live without that line of business.

Sallie Mae Vice President J. Paul Carey told Barron's last week that the company had quietly dropped its Smart Loan consolidation product because the new law gives the government one-third of the spread on each transaction. "These loans were fairly low-yielding prior to passage of the law," Carey said. Sallie was able to charge the weighted average of the loans consolidated, rounded up to the nearest whole percent. The new law fixes rates on consolidated loans at

the
T-bill rate plus 3.1 percentage points, capped at 8.25%, with the
Department
of
Education taking 1.05% and leaving the consolidator with a profit of 2.05%.
Additional consolidations are labor intensive, each one costing $350 up
front
because loans that have been sold off by the originators have to be tracked
down.

Still another turnoff for Sallie Mae: The law is effective for just one
year.
Carey said it would take four months to prepare payment algorithms
reflecting
the new pricing and to run tests on them.

Sallie Mae had been consolidating about $2 billion in
government-guaranteed
student loans originated by banks each year under the Federal Family
Education
Loan Program. Until enactment of the new law two weeks ago, the Department
of
Education had the exclusive right to consolidate loans made under President
Clinton's 1994 Direct Loan Program. But Electronic Data Systems, which has
a
$525 million contract with the department for origination, consolidation
and
servicing of student loans, was unable to meet the demand. A backlog of
80,000
applications shut down the direct-loan consolidation program last summer.

Republican Buck McKeon of California, who chairs the House Subcommittee on
Postsecondary Education, Training and Lifelong Learning, promoted the
Emergency
Loan Consolidation Act of 1997 as a way of relieving the logjam of
applications
by giving the Department of Education some private-sector competition.
After
all, President Clinton had promoted the direct-lending program in 1994 as
healthy competition for banks getting fat making student loans guaranteed
by
the
government. What was good for the goose was good for the gander.

Congress, much to the consternation of banks and Sallie Mae, passed the
legislation without a single hearing or a single minute of debate.
President
Clinton threatened to veto the bill, but wound up signing it. We're told
part
of
the reason is that he realizes it eventually will embarrass Republicans.
Students already are writing to Congress griping about not being able to
do
business through Sallie Mae.

EDS expects to have the Education Department's notorious
loan-consolidation
program back up and running in December, according to spokesman Randy Dove.
In
the meantime, some 40,600 applications that were deactivated or withdrawn
by
EDS
when it shut the program now are fair game for private consolidators under
the
new law.

This Congressionally inspired turmoil has not been fun for Carey and
other
members of the dissident group that ousted Sallie Mae's old management.
"Some
shareholders thought we were magic men and as soon as we walked in all of
these
problems would be solved," he quipped ruefully.

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IQFI5RU7DC012R3J@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Tue,

25 Nov 1997 14:41:17 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQFI5O6NN4011IGR@PMDF.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Tue, 25 Nov 1997 14:41:14 -0500 (EST)
Received: from mothra.rs.itd.umich.edu ([141.211.83.20])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IQFI5JOA2W002IER@STORM.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Tue, 25 Nov 1997 14:41:09 -0500 (EST)
Received: from [141.211.178.146] ([141.211.178.146]) by mothra.rs.itd.umich.edu

(8.8.5/2.4) with ESMTP id OAA24228; Tue, 25 Nov 1997 14:41:57 -0500 (EST)
X-Sender: tombutts@t.imap.itd.umich.edu
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:29-NOV-1997 11:38:46.00

SUBJECT: Re: Lenders Offering Consolidation

TO: mike_smith (mike_smith @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
We are missing a real opportunity to be the White Knight in this situation
with Sallie Mae, etc.
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/29/97
11:37 AM ---------------------------

David_Longanecker @ ed.gov
11/28/97 03:22:00 PM
Record Type: Record

To: Robert M. Shireman, Wayne Upshaw
cc:
Subject: Re: Lenders Offering Consolidation

Bob,

I'm sorry that I can't offer you better info on this. Yes, we do
expect to be in full force on Monday, but have not gone out in
advance
to say so because we want to make sure it happens. The only thing
that might hold it up is final price and performance negotiations
with
EDS. Though it is very very unlikely that this will cause any snag,
we didn't want to go forward untill we were absolutely sure.

Nonetheless, we have been working on announcements. Unfortunately,
all my staff who have been working on this are out today, so it will
be Monday before I can share these with you.

Our general approach is to be reasonably low-key; letting folks know
that we are back in business and ready for their calls. We are not
at
this time going to "encourage" extra business, because we want to
make
sure we can handle what comes in naturally before drumming up
additional takers.

Dave

______________________________ Reply Separator
____

Subject: Lenders Offering Consolidation
Author: Robert_M._Shireman@oa.eop.gov at Internet
Date: 11/26/97 9:52 PM

Message Creation Date was at 26-NOV-1997 21:52:00

Are we opening up on Monday? Are we making any announcement? Do we have
a
safety valve?
---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 11/26/97
09:50 PM ---------------------------

ElmendorfE @ aascu.nche.edu
11/26/97 05:52:00 PM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Lenders Offering Consolidation

> ----------
> From: Mark Kantrowitz[SMTP:MKANT@FINAID.ORG]
> Sent: Wednesday, November 26, 1997 5:52:28 PM
> To: FINAID-L@lists.psu.edu
> Subject: Lenders Offering Consolidation
> Auto forwarded by a Rule
>

The following is a list of lenders which are still offering loan
consolidation. If your bank is offering loan consolidation and does not
appear on this list, please send email to consolidation@finaid.org with
your bank's name and contact information for loan consolidation inquiries
from students. I will post an updated list next week on this mailing list,
the FinAid Page, and soc.college.financial-aid.

Mark

Lenders offering loan consolidation:
  + Citibank: 1-800-934-1900 (1-800-846-1298 TDD)
  + Crestar Bank: 1-800-552-3006 crestar@student-loans.com

The following attachments were included with this message:

TYPE : FILE
NAME : 112618B6.TXT

MIME-version: 1.0
Content-type: MESSAGE/RFC822

RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IQH3SPEDS000TXIK@PMDF.EOP.GOV> for shireman_r@a1.eop.gov; Wed,
 26 Nov 1997 18:12:17 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQH3SO5WOW00RH4P@PMDF.EOP.GOV>
for
 shireman_r@a1.eop.gov; Wed, 26 Nov 1997 18:12:13 -0500 (EST)
Received: from ptah.aascu.nche.edu ([205.128.140.10])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IQH3SHI6LG002KVI@STORM.EOP.GOV> for
shireman_r@a1.eop.gov;
 Wed, 26 Nov 1997 18:12:04 -0500 (EST)
Received: by aascu.nche.edu with Internet Mail Service (5.0.1458.49)
 id <XJYSJPZW>; Wed, 26 Nov 1997 18:12:04 -0500
Received: from psuvm.psu.edu by ptah.aascu.nche.edu with SMTP
 (Microsoft Exchange Internet Mail Service Version 5.0.1458.49)
 id XJYSJPZ4; Wed, 26 Nov 1997 18:11:57 -0500
Received: from PSUVM.PSU.EDU by lists.psu.edu (IBM VM SMTP V2R2)
 with BSMTP id 0085; Wed, 26 Nov 1997 17:54:06 -0500 (EST)
Received: from LISTS.PSU.EDU (NJE origin LISTSERV@PSUVM)
 by PSUVM.PSU.EDU (LMail V1.2c/1.8c) with BSMTP id 1353; Wed,
 26 Nov 1997 17:54:06 -0500

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IQJQN2G3TS00ZY7B@PMDF.EOP.GOV>; Fri, 28 Nov 1997 15:27:32 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IQJQMZVEN400RI79@PMDF.EOP.GOV>; Fri,

 28 Nov 1997 15:27:26 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IQJQMTOJHC002MVT@STORM.EOP.GOV>; Fri,

28 Nov 1997 15:27:16 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id PAA05933; Fri,
28 Nov 1997 15:24:04 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 0008C94B; Fri,
28 Nov 1997 15:27:23 -0500
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:12-DEC-1997 17:54:35.00

SUBJECT: Re: Pricing consolidation

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TEXT:
See William's note below.

When Mike brought up the consolidation pricing at the Mod Bd meeting, I didn't think it was anything that required our immediate attention. I now see from William's note that there's an issue of whether to assume that the current law on two-way consolidation will drive more borrowers to ED, which in the end may save the government money.

I haven't scrubbed the numbers ED passed out, and am not even sure what I'd look for. Do either of you have a view on whether we want to build in new assumptions on consolidation into the loan model for the 99 Budget??? (Before we can answer this, we may want to decide where we want to end up on two-way consolidation for the longer term)
---------------------- Forwarded by Kathryn B. Stack/OMB/EOP on 12/12/97 05:49 PM ---------------------------

William_Graham@ed.gov
12/12/97 10:39:00 AM
Record Type: Record

To: Kathryn B. Stack@EOP
cc:
Subject: Re: Pricing Passback

Kathy --

Just another quick note. Bob S and I talked this morning. We are still in a
quandary about the consolidation numbers. As you may remember, for the longest time the Department assumed the cross consolidation bill would have
no cost. Then, basically at the last minute, we assumed it would cost $20 m.

Since that time SLMA has dropped out of the consolidation market -- at

least
temporarily -- and we hear other may too. If they continue not to
participate, the cross-consolidation bill may actually save the government
money because we have more direct consolidations. (I would be extremely
reluctant to score these, however.)

Therefore, our working assumption for the extension of the
cross-consolidation bill is no additional cost or savings. We are,
however,
open to discussions on what you or anyone else thinks.

==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IR30RHXMKW000TNY@PMDF.EOP.GOV> for "Kathryn B. Stack"@oa.eop.gov; Fri,
12 Dec 1997 10:42:29 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IR30RDZD1S018B1N@PMDF.EOP.GOV> for
Kathryn_B._Stack@oa.eop.gov; Fri, 12 Dec 1997 10:42:25 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IR30R0BSFC003ZMU@STORM.EOP.GOV> for
Kathryn_B._Stack@oa.eop.gov; Fri, 12 Dec 1997 10:42:06 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id KAA25376 for
<Kathryn_B._Stack@oa.eop.gov>; Fri, 12 Dec 1997 10:38:42 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 000A0503; Fri,
12 Dec 1997 10:40:46 -0500
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 6-JAN-1998 12:01:52.00

SUBJECT: where things stand today on the HEA reauth. proposals

TO: Daniel J. Chenok (CN=Daniel J. Chenok/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: S. A. Noe (CN=S. A. Noe/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: Barry White (CN=Barry White/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: Daniel I. Werfel (CN=Daniel I. Werfel/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

CC: Constance J. Bowers (CN=Constance J. Bowers/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TEXT:
Here's ED's write-up of the last meeting. If we disagree or need to
clarify anything, we should talk (or e-mail) amongst ourselves and get
back to Connie.
---------------------- Forwarded by Kathryn B. Stack/OMB/EOP on 01/06/98
11:58 AM ---------------------------

Constance J. Bowers
01/06/98 09:35:06 AM
Record Type: Record

To: Kathryn B. Stack/OMB/EOP@EOP
cc:
Subject: where things stand today on the HEA reauth. proposals

Did you get this? If not, please forward to others who may be
interested. Thanks.
---------------------- Forwarded by Constance J. Bowers/OMB/EOP on
01/06/98 09:34 AM ---------------------------

Lori_Templeman@ed.gov
12/30/97 02:50:00 PM
Record Type: Record

To: Melissa N. Benton@eop, Constance J. Bowers@eop
cc:
Subject: where things stand today on the HEA reauth. proposals

This e-mail summarizes what happened at a meeting today between ED and OMB, as well as where I think we are on outside agency comments on the various proposals:

today's meeting:

Campus-based allocation formula: proposal will be restructured

retention grants and superPell proposals: dropped in budget process; retention grants were a separate subpart of part A of title IV; superPell was the second section in the Pell subpart. The remaining Pell provisions should be relatively straightforward for OMB to review.

need analysis: the current legislative language in the proposal giving the Secy. the flexibility to use a different base year is fine; we need to stop using the shorthand "prior-prior year" to describe it.(pt. F)

maximum of 8 nonfinancial data elements on the FAFSA that are needed by the States--okay to drop the numerical and "nonfinancial" limitations on this (as in current proposal) (pt. g)

optical imaging of documents--tabled for now; will be pursued on an governmentwide basis (pt. G)

85-15 requirement on institutions that switch from for-profit to nonprofit during a two-year transition period--okay (pt. G)

foreign institutions: eliminate from participation in the FFEL program any foreign institution with a cohort default rate of 5% or more; authorize the Secy to determine the frequency of recertification and audit submissions for foreign institutions by regs--okay (part B, part G, and new title I)

refund policy--needs to be discussed with student groups; otherwise okay (part G) prevent insurance companies from acting as lenders--okay (part B)

payment of interest on unsubsidized loans during periods of community service--okay (parts B and D; OIRA comment resolved)

Pell Grants--minor changes to the crediting of Pell Grants to student accounts--okay

Other agencies' comments:

Labor: is pursuing their "70/70" comments, especially regarding their opposition to limiting the expanded requirements to proprietary institutions. We will need to talk to them further.

Corp. for Nat'l Service: has raised objections to Work-Study amendment that increases to 50% the amount that an institution may use for private sector employment.--not resolved yet.

Treasury: On the "delegation of functions" issue (in part B), we need to discuss this further with Treasury--we are currently in disagreement over the need for, and wording of, an exception to the provision that would prohibit program participants from being indemnified by their delegees. (Sallie Mae related issue). Regarding administrative subpoenas, we agreed to mention in the section by section that this will not affect the Secy of the Treasury's authority.

DOJ: we responded to most of their comments (other than those re: multi-year prom note, which will likely be sent today), and are waiting to hear their reactions. (Imaging has been tabled)

Finally, we responded to numerous OIRA comments, agreed to some changes, and I'm not sure which issues remain outstanding. (the items I think might still be outstanding include: financial responsibility; change of ownership; multi-year prom note; one Federal student aid application; and master calendar--there are probably additional loan issues, but those are not the priority that the other parts are at present)

Let me know if this doesn't conform to your understanding of where things stand right now. Thanks.

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IRSEY293R400J1S4@PMDF.EOP.GOV>; Tue, 30 Dec 1997 14:58:22 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IRSEXZQ0FK0065HF@PMDF.EOP.GOV>; Tue,

30 Dec 1997 14:58:19 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IRSEXQT6ZO003ZMU@STORM.EOP.GOV>; Tue,
30 Dec 1997 14:58:08 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id OAA17534; Tue,
30 Dec 1997 14:54:35 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 000B2740; Tue,
30 Dec 1997 14:58:12 -0500
================= END ATTACHMENT 1 =================

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2017-1075-F

Bucket: OPD

Creation Date: 1998-01-07

Subject: we didn't submit a weekly report last time. But Gene did make some edits: please update where necessary

Creator: Russell W. Horwitz CN=Russell W. Horwitz/OU=OPD/O=EOP [OPD]

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2017-1075-F

Bucket: OPD

Creation Date: 1998-01-09

Subject: Re: we didn't submit a weekly report last time. But Gene did make some edits: please update where necessary

Creator: Robert M. Shireman CN=Robert M. Shireman/OU=OPD/O=EOP [OPD]

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

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

This marker identifies a responsive email, already made available within another collection.

Collection: 2017-1075-F

Bucket: OPD

Creation Date: 1998-01-09

Subject: weekly report

Creator: Russell W. Horwitz CN=Russell W. Horwitz/OU=OPD/O=EOP [OPD]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:15-JAN-1998 14:19:55.00

SUBJECT: Re: Scheduled Change in Interest Rates

TO: Don_Feuerstein (Don_Feuerstein @ ed.gov @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

TEXT:
I think I would agree.

They are trying to set up a meeting with me to present it. I'm inclined to let them do so. Is that inconsistent with your approach?

Don_Feuerstein @ ed.gov
01/15/98 02:06:00 PM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Scheduled Change in Interest Rates

Bob,

Sallie Mae is pressing hard on Pauline to schedule a meeting between Al Lord and Mike to discuss their CP proposal. Pauline proposes to tell them (she or I) politely that Mike is more than willing to meet to discuss a student-oriented proposal, but we do not see the point
of
spending time on this one. This would be accompanied with an explanation that our problem is with the premium rather than the reference rate.

We are in the negotiation phase. My usual practice of dealing with a totally unacceptable offer is simply to return it, rather than allow it to become the basis for negotiation, so I agree with this strategy. Are your thoughts any different?

DMF

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01ISEPQURGOW009TGR@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Thu,

15 Jan 1998 14:05:21 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01ISEPQNSOWW00M8RC@PMDF.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Thu, 15 Jan 1998 14:05:17 -0500 (EST)
Received: from vader.ed.gov ([165.224.216.253])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01ISEPQK6BL6001MXB@STORM.EOP.GOV> for
Robert_M._Shireman@oa.eop.gov; Thu, 15 Jan 1998 14:05:07 -0500 (EST)
Received: from smtpgwy1.ed.gov (smtpgwy1.ed.gov [165.224.216.37])
by vader.ed.gov (8.8.7/8.8.4) with SMTP id OAA09784 for
<Robert_M._Shireman@oa.eop.gov>; Thu, 15 Jan 1998 14:01:27 -0500 (EST)
Received: from ccMail by smtpgwy1.ed.gov
(IMA Internet Exchange 2.12 Enterprise) id 000C7EAC; Thu,
15 Jan 1998 14:05:07 -0500
================= END ATTACHMENT 1 =================