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Folder Title:

William Galston, OPD [Office of Policy Development]-1 Sallie Mae

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Congress of the United States
House of Representatives
Washington, DC 20515

February 10, 1995

The Honorable Al Gore, Jr.
Vice President of the United States
Old Executive Office Building
Washington, D.C. 20500

Dear Mr. Vice President:

As Members of Congress representing a large number of Sallie Mae employees, we feel that it would be a great opportunity for President Clinton to make the rechartering of Sallie Mae a highlight of his initiative to reduce government. We believe it is appropriate at this time to recognize Sallie Mae's success in fulfilling its Congressionally chartered mission and allow it to apply its skills to other enterprises.

Thus, we believe it is time for Sallie Mae to relinquish its status as a Government Sponsored Enterprise. Taking this initiative would fit well with the themes of reinventing and downsizing government that have become hallmarks of this Administration. We believe the public will respond favorably to this effort to make government "smaller". While becoming the finest servicer of student loans, Sallie Mae has assembled an impressive organization rife with the technological sophistication necessary to successfully compete in today's business climate. We, therefore, believe it would be economically beneficial for it to be free to enter into other endeavors, particularly in support of higher education.

We are, however, concerned that this issue has yet to be addressed by the Administration. While we believe that there is a general consensus in the Administration that Sallie Mae's privatization should not be unnecessarily delayed, we fear that there is an effort to link Sallie Mae's future to the political debate on direct lending. This, in our estimation, would have a disastrous effect on Sallie Mae's ability to privatize.

Significant reductions to the yield on student loans and user fees have already limited Sallie Mae's ability to generate sufficient capital for investment in improved school and student services. If the Administration allows the direct loan program to dictate Sallie Mae's future, investors will be even more reluctant to invest capital in the company. At the very least, Sallie Mae's ability to effectively service the student loan industry will be constrained. On a much graver note, prolonged

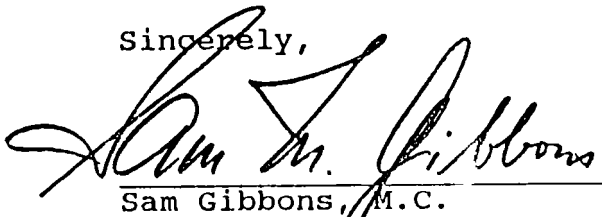
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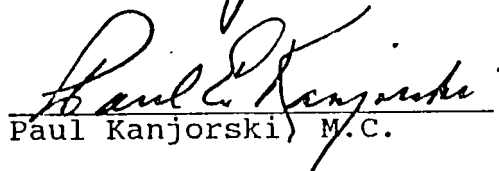
The Honorable Al Gore, Jr.
February 10, 1995
Page Two

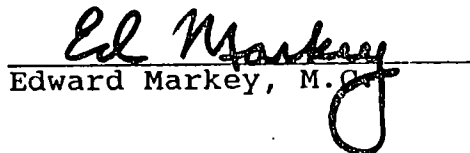
delay or further weakening of the company may prevent Sallie Mae from ever effecting a successful privatization.

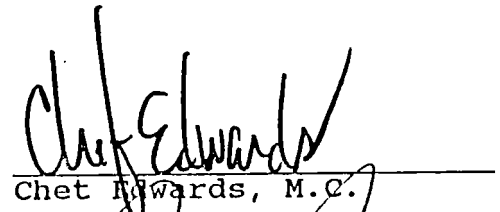
It is our hope that the Administration will introduce legislation in the 104th Congress that will enable Sallie Mae to shed its government backing and evolve into a completely private company, regardless of whether the direct loan program assumes a greater percentage of the student loan market. As a crusader for government that works better and costs less, we urge you to privatize Sallie Mae now, while it still has the ability to serve as a primary example of reinventing government.

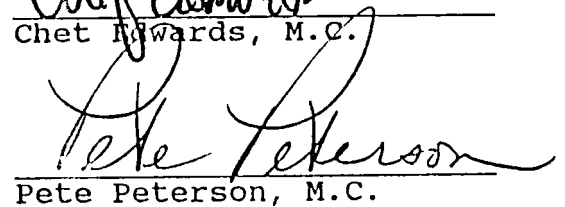
Sincerely,


Sam Gibbons, M.C.


Paul Kanjorski, M.C.


Edward Markey, M.C.


Chet Edwards, M.C.


Pete Peterson, M.C.



OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 10, 1995

The Honorable Sam M. Gibbons
House of Representatives
Washington, D.C. 20515

Dear Congressman Gibbons:

Thank you for your letter of February 10, 1995, to Vice President Gore, in which you and several of your colleagues expressed support for rechartering the Student Loan Marketing Association ("Sallie Mae") as a private business entity. The Vice President has asked me to respond to your letter.

You are correct in pointing out that the current proposal to restructure Sallie Mae is consistent with themes of the National Performance Review (NPR). It is for this reason that we are carefully reviewing the proposal as part of Phase II of the NPR, which is now under way.

In its efforts to reinvent government, this Administration is committed to recommending and instituting only those changes that make good common sense. To ensure this holds true for Sallie Mae, we are carefully coordinating our NPR Phase II review of Sallie Mae with the Departments of Education and Treasury. We fully expect that the results of our review of Sallie Mae will enable the Administration to determine the most effective and appropriate way to make our educational assistance institutions work better and cost less.

You may be interested to know that the Department of Education is preparing to issue a Request for Proposals (RFP) for the servicing of direct student loans. A pre-solicitation meeting was held in March 1995. The Department of Education has invited Sallie Mae to respond to this RFP once it has been issued.

Thank you for your continuing support of the Vice President's National Performance Review.

Sincerely,

Elaine Kamarck
Senior Policy Advisor to the Vice President

cc: William Galston



OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 10, 1995

The Honorable Paul Kanjorski
House of Representatives
Washington, D.C. 20515

Dear Congressman Kanjorski:

Thank you for your letter of February 10, 1995, to Vice President Gore, in which you and several of your colleagues expressed support for rechartering the Student Loan Marketing Association ("Sallie Mae") as a private business entity. The Vice President has asked me to respond to your letter.

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Elaine Kamarck
Senior Policy Advisor to the Vice President

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OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 10, 1995

The Honorable Edward Markey
House of Representatives
Washington, D.C. 20515

Dear Congressman Markey:

Thank you for your letter of February 10, 1995, to Vice President Gore, in which you and several of your colleagues expressed support for rechartering the Student Loan Marketing Association ("Sallie Mae") as a private business entity. The Vice President has asked me to respond to your letter.

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OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 10, 1995

The Honorable Chet Edwards
House of Representatives
Washington, D.C. 20515

Dear Congressman Edwards:

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OFFICE OF THE VICE PRESIDENT
WASHINGTON

April 10, 1995

The Honorable Pete Peterson
House of Representatives
Washington, D.C. 20515

Dear Congressman Peterson:

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