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Folder Title:
Sallie Mae

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TRANSMITTAL COVER SHEET

DATE: September 7, 1996

TIME: _____ a.m.
_____ p.m.

PLEASE DELIVER THE FOLLOWING PAGES TO:

FIRM: OFFICE OF THE VICE PRESIDENT
ATTENTION: MS. HEATHER MARABETI
TELECOPY NUMBER: 1-202-456-7166
TELEPHONE NUMBER: 1-202-456-9095
OUR FILE NUMBER: 9999.020
FROM: MITCHELL W. BERGER
NUMBER OF PAGES SENT: 3 (including cover page)

MESSAGE (if any):

*Heather - Please pass this along to Bruce
Lindsey for Mitchell. As always, thanks
for your help*
Donnie
PLEASE NOTIFY US IMMEDIATELY IF NOT RECEIVED PROPERLY

The information contained in this facsimile message is legally privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this telecopy is strictly prohibited. If you have received this telecopy in error, please immediately notify us by telephone and return the original message to us at the address set forth above via the United States Postal Service. Thank you.

0909 AL

100 N.E. Third Avenue
Suite 400
Fort Lauderdale, FL 33301
(305) 525-9900

August 16, 1996

Mr. Tom Shea
The White House
Washington, DC 20500

Dear Tom:

As we discussed, Sallie Mae was directed by the National Economic Council (Ellen Seidman), to reach agreement with the Treasury Department on privatization legislation. As a matter of national economic policy, the White House and Treasury have been focused on making privatization work. Despite the satisfactory outcome of that process, sources within the Department of Education are now raising an issue which is completely separate from our privatization.

We are currently challenging the constitutionality as well as the Department's interpretation of a 1993 statute which imposed an "offset fee" on every loan we "hold." This case is pending in the U.S. Court of Appeals for the District of Columbia. The Department of Education has already lost one piece of this challenge in federal district court--they actually tried to force us to pay the fee on loans we sold or securitized, when the offset fee law applies to loans we hold, and the Higher Education Act specifically defines "holder" as "an eligible lender who owns" a loan. As the Department of Treasury is aware, securitization is an important component of Sallie Mae's privatization plan. We had a very amiable meeting on this issue with Secretary Riley, who said that while he disagreed with our position, he understood our need to assert it and agreed that the matter should be decided by the courts.

Sallie Mae cannot agree to pay a fee which we believe is unconstitutional and contrary to the terms of the statute. We have already sold \$5.5 billion of these securities backed by student loans. Being unable to securitize assets on an equal basis puts Sallie Mae at a severe competitive disadvantage to others in the financial marketplace.

On a policy basis, if the justification for the fee on loans owned by Sallie Mae is the purported benefits Sallie Mae receives as a GSE, that rationale has no application in the context of securitized loans. There is no basis to take this matter from the court which is charged with interpreting the law after a favorable interpretation has been achieved by Sallie Mae.

Mr. Tom Shea
August 16, 1996
page two

There are no paygo consequences if Sallie Mae should continue to prevail in present litigation. Under existing budget rules, the government would simply make a technical adjustment to the baseline to reflect the Court decision that payment of the fee was not in compliance with the law. Until that time, Sallie Mae will continue to pay the fee on every new loan it holds in the government-sponsored enterprise, which the privatization legislation would continue for more than a decade.

Please feel free to call if you would like any additional information and I appreciate the time you are taking to help.

Sincerely,


Mitchell W. Berger

MWB:pk
cc: Harold Ickes

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MESSAGE (if any):

*Please pass this on to Bruce
Wadsey. Thanks! Bonnie*

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*Bruce - Please add this to Mitchell's
letter dated to you yesterday.*

- Shift control of transportation-related spending from the Department of Transportation to the states.

Cancellations/Terminations

- Eliminate Commerce's National Oceanic and Atmospheric Administration Corps, saving \$35 million.
- Shave \$1.2 billion over five years from Energy's applied research programs, ending the Clean Coal Technology Program.
- Eliminate Interior's Office of Territorial and International Affairs, saving \$5 million.
- Abolish the Interstate Commerce Commission, saving \$129 million.

Administrative Changes

- Target Medicare Program abusers in five key states and develop a health care fraud fund to pay for investigations and prosecutions.
- Allow employees at large companies to file for Social Security benefits through their company's personnel office, to save \$189 million.
- Improve debt collection practices at Treasury, Labor, and Education to increase revenues by more than \$1 billion.

Privatization

- Convert Connie Lee from a government corporation to a fully privatized entity.
- Shift NASA's space craft communications to private sources to save \$200 million.
- Convert Sallie Mae from a government corporation to a fully privatized entity.

Overview

This effort to reinvent government, part of the ongoing National Performance Review, is becoming a way of life for employees in agencies and the customers they serve across the nation. It's like the job of painting the Golden Gate Bridge in San Francisco. The story goes that the task is so huge that by the time the painters get to the far end of the bridge, it's time to go back to the beginning and start again. It never stops. It's never "finished."

The world has become more complex, and so has our government. Yet even as the government has become more complicated, it has been slow to adapt to real changes in the world—particularly those changes driven by advances in technology and communication. Along the way, the government has become distant from the people it is supposed to serve and, occasionally, lost touch with what it was created to do nearly 220 years ago. Our nation began with a solemn covenant: that the government that we were establishing would be the people's servant—not their master.

We need to renew that covenant for the next century. That's what reinventing government is all about.

YOU ARE OUR CUSTOMER.

If you've felt a difference, let us know. If you haven't, let us know that, too.

Write to: Vice President Al Gore
Reinventing Government
Washington, DC 20501

INTRODUCTION BY
PHILIP K. HOWARD
Author of The Death of Common Sense

COMMON SENSE GOVERNMENT

WORKS BETTER AND COSTS LESS

VICE PRESIDENT AL GORE

9/7.
Fax to KLAIR
Ludsey

Karman et al

W/letter to Sheen.

Mitchell Berger.