

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:19-AUG-1997 09:41:26.00

SUBJECT: Section 127 draft

TO: Leanne I. Johnson ( CN=Leanne I. Johnson/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

TEXT:

Treasury okayed my suggested addition, below.

----- Forwarded by Robert M. Shireman/OPD/EOP on 08/19/97

09:41 AM -----

Robert M. Shireman  
08/18/97 01:13:22 PM  
Record Type: Record

To: Catherine.Livingston @ MS01.do.treas.sprint.com @ inet  
cc:  
Subject: Section 127 draft

Leanne is with Presidential letters. What do you think of my suggesting the following sentence be added:

"While my proposal to extend Section 127 for graduate education was not adopted, you will be pleased that my plan for a lifetime learning credit was included, beginning in July of next year. This credit allows for a 20 percent tax credit for up to \$5,000 in tuition and fees (\$10,000 after 2002). This helps to lessen the impact of the unfortunate loss of the graduate portion of Section 127."

----- Forwarded by Robert M. Shireman/OPD/EOP on 08/18/97  
01:08 PM -----

Leanne I. Johnson  
08/18/97 10:42:03 AM  
Record Type: Record

To: Robert M. Shireman/OPD/EOP  
cc:  
Subject: Section 127 draft

Hi Robert,

I've faxed you this incoming from the Nat'l Society of Prof. Engineers.

Following is an incomplete draft response to them on section 127. How do we answer their concern that section 127 be permanently extended for undergrads and graduates?

Thanks.

DRAFT:

Thank you for your letter. I appreciate knowing of your concerns regarding employer-provided education tax benefits, I have shared your letter with my staff in the National Economic Council.

As you are no doubt aware, the "Taxpayer Relief Act of 1997" extends Section 127 of the tax code for undergraduates for three years. This provision allows workers to exclude \$5,250 of employer-provided education benefits from their taxable income.

Expanding educational opportunities for all Americans is a top priority of my Administration, and I appreciate your commitment to this goal. Thanks again for writing.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Peter R. Orszag ( CN=Peter R. Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:22-AUG-1997 11:12:09.00

SUBJECT: Re: Talking points-please review and edit

TO: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Randolph M. Lyon ( CN=Randolph M. Lyon/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

The Treasury talking points are basically subsumed into the document you have. I am having an intern drop off the distribution tables, in case you don't have those yet.

I agree with your suggestion about the percentage cuts. How about: "The Taxpayer Relief Act gives larger percentage tax cuts to middle-income families than to upper-income families. For example, the second lowest quintile will get a 5.4 percent cut in their tax payments, while the highest quintile will get a 2.8 percent tax cut. So unlike the House and Senate plans, which would have given the largest percentage cuts to families in the top 20 percent of the income distribution, the budget legislation follows the President's plan and gives larger percentage tax cuts to middle-income families than to the highest income families."

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:25-AUG-1997 16:28:28.00

SUBJECT: Ed tax cuts--final--NOTE NEW TITLE

TO: Kirk\_Winters ( Kirk\_Winters @ ed.gov @ inet [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

This was final as far as the White House was concerned. It's possible that ED may have made one or two additional nips and tucks before distributing it to folks who called the 1-800 # (as a supplement to Getting Ready for College Early). Check with Jill Riemer and Pauline Abernathy. This should probably go on the web site.

Thanks.

----- Forwarded by William R. Kincaid/OPD/EOP on 08/25/97  
04:22 PM -----

William R. Kincaid  
08/15/97 03:02:14 PM  
Record Type: Record

To: See the distribution list at the bottom of this message  
cc: Kirk\_Winters @ ed.gov @ inet  
Subject: Ed tax cuts--final--NOTE NEW TITLE

NEC worked the title out with Treasury, plus other changes--text follows--press one pager notes this is a supplement to the handbook.

#### A SUMMARY OF THE EDUCATION TAX CUTS IN THE 1997 BALANCED BUDGET PLAN

Many new tax benefits for adults who want to return to school and for parents who are sending or planning to send their children to college will be available due to the balanced budget signed into law in August, 1997. These changes are the largest investment in higher education since the passage of the G.I. Bill in 1945.

These tax cuts essentially make the first two years of college universally available, and they will give many more working Americans the financial means to go back to school if they want to choose a new career or upgrade their skills. When fully phased in, 12.9 million students are expected to

benefit -- 5.8 million under the HOPE Scholarship tax credit, and 7.1 million claiming the Lifetime Learning tax credit.

Up to a \$1,500 tax credit for students starting college

The HOPE Scholarship tax credit helps make the first two years of college universally available. Students will receive a tax credit of 100% on the first \$1,000 of tuition and required fees and 50% on the second \$1,000. This tax credit will be available for payments after December 31, 1997 for college enrollment after that date. This credit is available for tuition and required fees less grants, scholarships, and other tax-free educational assistance. A high school senior going into his or her freshman year of college in September, 1998, for example, could be eligible for as much as a \$1,500 tax credit.

A married couple with an adjusted gross income of \$60,000 and two children in college at least half-time, one at a community college with a tuition of \$2,000 and the other a sophomore at a private college with \$11,000 tuition, would have their taxes cut by as much as \$3,000.

This credit is phased out for joint filers between \$80,000 and \$100,000 of adjusted gross income, and for single filers between \$40,000 and \$50,000. The credit can be claimed in two taxable years for students who are in their first two years of college or vocational school and who are enrolled on at least a half-time basis for any portion of the year.

The Lifetime Learning tax credit

This tax credit is targeted to adults who want to go back to school to upgrade their skills and to college juniors, seniors, graduate and professional students, mid-career changers and those who want to take a course or two. A family will receive a 20% tax credit for the first \$5,000 of tuition and required fees paid each year through 2002, and for the first \$10,000 thereafter. The Lifetime Learning tax credit is available for tuition and required fees less grants, scholarships, and other tax-free educational assistance, just like the HOPE tax credit, for amounts paid on or after July 1, 1998 for post-secondary enrollment beginning on or after July 1, 1998. The credit is available on a per-taxpayer (family) basis, and is phased out at the same income levels as the HOPE Scholarship tax credit throughout their lifetime. Families will be able to claim the Lifetime Learning tax credit for some members of their family and the HOPE Scholarship tax credit for others who qualify.

Returning to school full-time to become a teacher: A homemaker, whose family has an adjusted gross income of \$70,000, wants to attend a graduate teacher training program at a public university after being out of college for 20 years (\$3,500 tuition). Her family's income taxes would be cut by as much as \$700.

Automobile Mechanic: A married man, whose wife works part-time, and who has two grown children and an adjusted gross income of \$32,000, is going back to a local technical college to take some computer classes with a

tuition of \$1,200. This family would have their taxes cut by as much as \$240.

Parents and grandparents can create education IRAs and make penalty-free withdrawals from other IRAs

Beginning January 1, 1998, taxpayers may withdraw funds from an IRA, without penalty, for the higher education expenses of the taxpayer, a spouse, a child, and even a grandchild. For each child under age 18, families may also deposit \$500 per year into an Education IRA in the child's name. Earnings will accumulate tax-free and no taxes will be due upon withdrawal for post-secondary expenses for tuition and required fees (less grants, scholarships, and other tax-free educational assistance), books, equipment, and eligible room and board if used before the age of 30.

A taxpayer's ability to contribute to an Education IRA is phased out when the taxpayer has adjusted gross income between \$150,000 and \$160,000 for joint filers, and for single filers between \$95,000 and \$110,000. There are a few restrictions. A taxpayer, for example, who uses the tax-free distributions from an Education IRA may not, in the same year, benefit from the HOPE Scholarship or Lifetime Learning Credit.

Expanded benefits for qualified State tuition plans

This provision allows qualified State-sponsored tuition plans -- the earnings from which are not taxed until the time of withdrawal as a result of a law passed last year -- to include savings for certain room and board expenses for students who attend on at least a half-time basis. Withdrawals are eligible for the HOPE Scholarship tax credit and Lifetime Learning tax credit.

Paying back student loans at less cost

For many college graduates, one of their first financial obligations is to pay off their student loans, which average about \$13,500. This provision will reduce the burden of this obligation by allowing students or their families to take a tax deduction for interest paid in the first 60 months of repayment on student loans.

A senior graduates from college and finds a job paying \$25,000 a year (and has no other income). The student has a total student debt of \$13,500 and is in the 15% federal income tax bracket. The monthly payment for this student's loans is \$166. The total amounts of payments for the year is \$1,992, over half of which is interest --\$1,080 --which can be deducted under the new law. The student's maximum tax benefit will can be calculated by multiplying \$1,080 by 15%: for a savings of \$162 (for years after 1998).

The maximum deduction is \$1,000 in 1998, \$1,500 in 1999, \$2,000 in 2000,

and \$2,500 in 2001 and beyond. It is phased out for joint filers with adjusted gross income between \$60,000 and \$75,000, and single filers between \$40,000 and \$55,000. The deduction is also available for all educational loans, such as student, parent, federal and nonfederal loans, made before August of 1997 when the tax cuts became law but only to the extent that the loan is within the first 60 months of repayment.

#### Going to school while you work

The tax relief bill extends Section 127 of the tax code for three years for undergraduate education (for courses beginning prior to June 1, 2000). This provision allows workers to exclude up to \$5,250 of employer-provided education benefits from their income. This provision will enable many Americans to pursue their goals of lifelong learning.

#### Community service loan forgiveness

This provision excludes from income student loan amounts forgiven by non-profit, tax-exempt charitable or educational institutions for borrowers who take community-service jobs that address unmet needs.

The balanced budget bills signed by President Clinton include many other provisions that will help all of the young people in America to grow and learn and help families navigate through these changing times. For example, the law provides \$24 billion to provide health insurance to as many as 5 million more children. The tax cut bill includes a provision to encourage computer donations to schools. The balanced budget agreement protects and advances President Clinton's top domestic priorities, such as an expansion of Head Start, and an increase in the maximum Pell grant for college to \$3,000. All of these benefits and tax cuts have one goal: to give parents the support they need to give their children a first class education and hope for the future.

Sincerely,

Richard

W. Riley

U.S.

Secretary of Education

For additional information on meeting the costs of college and lifelong learning for you, your children and grandchildren please call:  
1-800-USA-LEARN.

Message Sent

To: \_\_\_\_\_

David\_Frank @ ed.gov @ inet

Terry\_Peterson @ ed.gov @ inet

Pauline\_Abernathy @ ed.gov @ inet

Jill\_Riemer @ ed.gov @ inet

Kim\_Ross @ ed.gov @ inet

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D83]MAIL47520663C.216 to ASCII,

The following is a HEX DUMP:

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

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These tax cuts essentially make the first two years of college universally available, and they will give many more working Americans the financial means to go back to school if they want to choose a new career or upgrade their skills. When fully phased in, 12.9 million students are expected to benefit -- 5.8 million under the HOPE Scholarship tax credit, and 7.1 million claiming the Lifetime Learning tax credit.

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*A married couple with an adjusted gross income of \$60,000 and two children in college at least half-time, one at a community college with a tuition of \$2,000 and the other a sophomore at a private college with \$11,000 tuition, would have their taxes cut by as much as \$3,000.*

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donations to schools. The balanced budget agreement protects and advances President Clinton's top domestic priorities, such as an expansion of Head Start, and an increase in the maximum Pell grant for college to \$3,000. All of these benefits and tax cuts have one goal: to give parents the support they need to give their children a first class education and hope for the future.

Sincerely,

Richard W. Riley  
U.S. Secretary of Education

For additional information on meeting the costs of college and lifelong learning for you, your children and grandchildren please call: 1-800-USA-LEARN.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:25-AUG-1997 16:09:38.00

SUBJECT: Radio address press one-pager

TO: Kirk\_Winters ( Kirk\_Winters @ ed.gov @ inet [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

This is final; it was distributed to the WH press corps and I doubt it was put on-line. It's probably of more use for doing the blurb.

----- Forwarded by William R. Kincaid/OPD/EOP on 08/25/97  
04:08 PM -----

William R. Kincaid  
08/15/97 02:57:05 PM  
Record Type: Record

To: See the distribution list at the bottom of this message  
cc: Kirk\_Winters @ ed.gov @ inet  
Subject: Radio address press one-pager

Tax Cuts to Make College and Lifelong Learning More Affordable;  
Helping Students and Families Get Ready for College Early  
August 16, 1997

We must make the thirteenth and fourteenth years of education -- at least two years of college -- just as universal in America by the 21st Century as a high school education is today, and we must open the doors to all Americans.

-- President Bill Clinton  
State of the Union

Address, February 4, 1997

Today, as students prepare to head back to school, President Clinton encouraged families to take advantage of the new higher education opportunities contained in the historic balanced budget legislation. He also urged students and their parents to accept responsibility for preparing for college early, by choosing tough courses beginning in students', middle school and junior high school years. To help families map out a bright future, the President released a new handbook on getting ready for college early, and a parents', guide to the new education tax

cuts.

WHILE MORE STUDENTS ARE GOING TO COLLEGE, TOO MANY OTHERS MISS THE BENEFITS OF A POSTSECONDARY EDUCATION. In 1996, sixty-five percent of high school graduates were attending college the following fall-- an all-time high. Yet far too many of our young people still lack a college education or advanced training, limiting their ability to prosper in the 21st Century economy. College graduates are half as likely to be unemployed as high school graduates. Moreover, on average, a college graduate will earn over \$500,000 more over the course of a lifetime than a high school graduate -- and this gap is widening. Someone with an associate's degree from a two year college earns more than a high school graduate as well.

THE NEW TAX CUTS SIGNED BY THE PRESIDENT WILL HELP MAKE COLLEGE MORE AFFORDABLE FOR STUDENTS AND FAMILIES. President Clinton's new Hope Scholarship makes the first two years of college universally available, providing students with a tax credit of up to \$1,500 -- about the same as the average tuition at a local community college. Moreover, college juniors and seniors, graduate and professional students, and adults who want to go back to school will be eligible for a Lifetime Learning tax credit worth 20% of the first \$5,000 of tuition and fees through the year 2002 (and 20% of the first \$10,000 beginning in 2003). The new law also allows parents and grandparents to make penalty-free withdrawals from their IRAs to pay for higher education expenses, and enables them to open new Education IRAs where they can invest \$500 per child every year to build up money, tax free, for college. In addition to the tax cuts, the balanced budget agreement also provides the largest Pell Grant increase in two decades, as sought by the President; Congress must fulfill this promise next month.

STUDENTS SHOULD BEGIN PREPARING FOR COLLEGE EARLY BY TAKING TOUGH COURSES IN MIDDLE SCHOOL AND HIGH SCHOOL. Students who take algebra and geometry by the end of eighth and ninth grades are much more likely to go on to college than students who don't; in a national study, only 26 percent of low-income students who did not take geometry went on to college, compared with 71 percent of those who did. Back to School is an ideal time for parents to talk with teachers, principals, and guidance counselors to make sure students sign up for a rigorous classes that will keep them on track for college. A new handbook, Getting Ready for College Early, will help parents of students in middle school and junior high with choosing courses and other basics of college planning -- like where to find out how much college really costs and what resources are available to make college affordable. Getting Ready for College Early, together with the supplement A Summary of the Education Tax Cuts in the 1997 Balanced Budget Plan, is available free of charge from the U.S. Department of Education by calling 1-800-USA-LEARN.

Message Sent

To:

David\_Frank @ ed.gov @ inet

Terry\_Peterson @ ed.gov @ inet

Pauline\_Abernathy @ ed.gov @ inet  
Jill\_Rierner @ ed.gov @ inet  
Kim\_Ross @ ed.gov @ inet

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

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D96]MAIL433685638.216 to ASCII,  
The following is a HEX DUMP:

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

**Tax Cuts to Make College and Lifelong Learning More Affordable;  
Helping Students and Families Get Ready for College Early**  
August 16, 1997

*We must make the thirteenth and fourteenth years of education -- at least two years of college -- just as universal in America by the 21st Century as a high school education is today, and we must open the doors to all Americans.*

-- President Bill Clinton  
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**WHILE MORE STUDENTS ARE GOING TO COLLEGE, TOO MANY OTHERS MISS THE BENEFITS OF A POSTSECONDARY EDUCATION.** In 1996, sixty-five percent of high school graduates were attending college the following fall-- an all-time high. Yet far too many of our young people still lack a college education or advanced training, limiting their ability to prosper in the 21st Century economy. College graduates are half as likely to be unemployed as high school graduates. Moreover, on average, a college graduate will earn over \$500,000 more over the course of a lifetime than a high school graduate -- and this gap is widening. Someone with an associate's degree from a two year college earns more than a high school graduate as well.

**THE NEW TAX CUTS SIGNED BY THE PRESIDENT WILL HELP MAKE COLLEGE MORE AFFORDABLE FOR STUDENTS AND FAMILIES.** President Clinton's new Hope Scholarship makes the first two years of college universally available, providing students with a tax credit of up to \$1,500 -- about the same as the average tuition at a local community college. Moreover, college juniors and seniors, graduate and professional students, and adults who want to go back to school will be eligible for a Lifetime Learning tax credit worth 20% of the first \$5,000 of tuition and fees through the year 2002 (and 20% of the first \$10,000 beginning in 2003). The new law also allows parents and grandparents to make penalty-free withdrawals from their IRAs to pay for higher education expenses, and enables them to open new Education IRAs where they can invest \$500 per child every year to build up money, tax free, for college. In addition to the tax cuts, the balanced budget agreement also provides the largest Pell Grant increase in two decades, as sought by the President; Congress must fulfill this promise next month.

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 3-SEP-1997 18:21:45.00

SUBJECT: Re:

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

TEXT:

Some edits below:

A \$1,500 HOPE Scholarship and a 20% Tuition Tax Credit for working Americans pursuing lifelong learning to upgrade their skills. At the President's insistence, the balanced budget includes [a] both a \$1,500 HOPE Scholarship for the first two years of postsecondary training and a 20% Lifetime Learning tax credit that workers can use to help pay for training to upgrade their skills. The President has long understood that the economy is changing and that people need the opportunity to enhance their skills throughout their working lives.

Charles R. Marr  
09/03/97 04:00:25 PM  
Record Type: Record

To: Robert M. Shireman/OPD/EOP  
cc:  
Subject:

Bob - could you take a quick look - edit - the audience is how tax cuts will help dislocated workers and workers in transition -- thanks

A \$1,500 HOPE Scholarship and a 20% Tuition Tax Credit for working Americans pursuing lifelong learning to upgrade their skills. Because of the President's insistence, the balanced budget includes a both a \$1,500 two-year HOPE Scholarship and a 20% tuition tax credit that workers can use to help pay for training to upgrade their skills. The President has long understood that the economy is changing and that people need the opportunity to enhance their skills throughout their working lives.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark D. Menchik ( CN=Mark D. Menchik/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 4-SEP-1997 13:42:44.00

SUBJECT: New Tax-Law "Blue Book" Expected, see middle

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

READ:UNKNOWN

TEXT:

----- Forwarded by Mark D. Menchik/OMB/EOP on 09/04/97  
01:42 PM -----

No. 171

Thursday September 4, 1997

Lead Tax Report

Tax Legislation

Congress May Seek Modified Provisions

Instead of Line-Item Veto Overrides

Congress may find it more productive to consider modified versions of the vetoed provisions of the Taxpayer Relief Act of 1997 (PL 105-34) rather than pursue a disapproval bill, Joint Committee on Taxation Chief of Staff Kenneth Kies said Sept. 3.

A spokesman for the House Ways and Means Committee said also indicated Sept. 3 that an attempted veto override is unlikely. "I do not think it is likely that we will proceed to opposing the president's line item veto," he said.

House Majority Leader Richard Armey (R-Texas) said Sept. 2 that Republican leaders needed to determine whether the items subject to the veto were agreed to in negotiations before deciding whether to proceed on a disapproval bill (170 DTR GG-1, 9/3/97).

Kies told BNA that "different people may have differing views" about whether the vetoed provisions of the tax package were agreed to during congressional and White House negotiations. Kies added that he was "not sure that a resolution [of that issue] should be determinative of how to proceed."

President Clinton vetoed two provisions of the tax package and one provision of the budget law (PL 105-33) that he said were targeted to special interest groups (155 DTR GG-1, L-1, L-2, 8/12/97). The provisions in the tax law would have allowed agri-businesses to avoid paying capital gains taxes on the sale of certain assets to farmers' cooperatives, and U.S. financial services firms to avoid paying taxes on income they earn from overseas operations. The budget law provision would have allowed New York to continue taxing some hospitals unfairly to finance its Medicaid program.

Kies said the White House had indicated that it had concerns with only elements of the vetoed tax provisions. Should the administration indicate a willingness to consider modified provisions, it may be "a more

productive path to determine what people could live with" and attempt to attach such measures to any of a number of legislative vehicles, he suggested.

#### Stenholm Meets with Administration

Rep. Charles Stenholm (D-Texas) and his staff have already begun meeting with the administration to discuss modifications to the farm cooperative provision Clinton vetoed, according to his aide. More meetings are planned over the coming weeks, his aide said Sept. 3.

The administration contends that the provision should benefit only small cooperatives, according to aides familiar with the issue. Administration officials have suggested that the provision could be narrowed to target those smaller cooperatives. But that option might not be agreeable to lawmakers close to the issue, who argue that it would be unfair to penalize farmers' cooperatives simply because of their size, according to the aides.

The White House also contends that the farm provision would allow cooperatives to defer capital gains forever by making a sale and reinvesting the profit in its own stock, thereby never paying a capital gains tax. That concern could easily be addressed by prohibiting cooperatives from such practice, congressional aides noted.

If the White House and lawmakers agree on a way to modify the farm provision, a separate bill would have to be introduced and voted on in both chambers. Members cannot amend the provision in a disapproval bill. Congressional aides said a separate bill might be preferable to trying to pass a disapproval bill because under the line-item veto law, the disapproval bill is required to include all the items vetoed in the tax cut package. "We want to defend the farm cooperative provision on its merits and not get caught up in the financial services issue," one congressional aide involved in the farm issue said.

#### Disapproval Bill Possible Veto Target

Another drawback with a disapproval bill is that it is a likely target for another presidential veto. Congress would then need a two-thirds majority to override the veto.

Despite those drawbacks, Stenholm is still exploring the possibility of introducing a disapproval bill, his aide said. His decision to move ahead with such a bill will depend on how serious the administration is about a modified version of the tax provision that is acceptable to both sides, the aide added. Also, Stenholm will take into account the GOP leadership's position on the issue before making a decision.

Stenholm met Sept. 3 with Rep. Kenny Hulshof (R-Mo), a Ways and Means member who championed the farm cooperative provision during tax negotiations. Stenholm and Hulshof had co-sponsored the farm cooperative measure as a separate bill (HR 1752).

Stenholm and Hulshof both had reserved judgment on what course of action to take following the president's veto, since legislators were scattered about the country during the month-long August recess.

A joint statement released by the two legislators following a meeting on the issue Sept. 3 struck a noncommittal note, with the two promising to "hold the president to his word and work to address this important issue" with the White House and Treasury Department. The two did not

commit to any specific course of action.

"We welcome the opportunity to debate the legislation on its merits," the two legislators said. "We are confident that this provision can withstand scrutiny and will receive strong bipartisan support."

### IRS Restructuring Key Focus

Meanwhile, looking ahead to the rest of 1997, Kies said legislation (HR 2292, S 1096) to restructure the Internal Revenue Service will be a key focus of the JCT during the next several months. "That is going to be a big part of what occupies our attention," he said.

He said JCT staff will meet over the next several weeks with various people to get their views on the June 25 report of the National Commission on Restructuring the IRS. JCT will talk to individuals who worked on the report, as well as to those who support or oppose the recommendations, he said.

The House Ways and Means Subcommittee on Oversight is slated to hold a hearing on the report's recommendations to expand electronic filing of tax and information returns Sept. 9 at 10 a.m. (170 DTR G-5, 9/3/97).

Meanwhile, Senate Majority Leader Trent Lott (R-Miss) told reporters Sept. 3 that he met with Finance Committee Chairman William Roth (R-Del) to discuss a schedule for hearings on IRS abuses. Such hearings could take place within the 30 to 40 days, Lott said.

House Ways and Means Committee Chairman Archer wants IRS restructuring legislation reported out of the committee before Congress adjourns for the year, Kies said, but whether that can be achieved depends in part on Congress' adjournment date.

### Education IRAs May Be Considered

Kies noted that the House and Senate are expected to consider legislation in the next few months that would expand education individual retirement accounts to cover expenses associated with primary and secondary schools.

Sen. Paul Coverdell (R-Ga) introduced a bill (S 1133) that would allow tax-free expenditures from education IRAs for elementary and secondary schools and to increase to \$2,000 the maximum amount that can be contributed annually to such accounts. The measure was excluded from the final tax package after President Clinton July 29 threatened to veto "any package that would undermine public education by providing tax benefits for private and parochial school expenses" (147 DTR GG-1, 7/31/97).

Meanwhile, Roth and Coverdell introduced a separate, broader bill (S 1116) July 31 that would:

- expand education IRAs to allow families to put up to \$2,000 per year into such accounts, and allow withdrawals for education expenses incurred during primary and secondary school;

- permanently extend the exclusion from income for employer provided educational assistance for graduate and undergraduate;

- expand state-sponsored prepaid tuition and savings programs to permit tax-free savings for tuition, fees, books, school supplies, room, and board; and

- permit universities to develop prepaid tuition and savings program that allow tax-free savings for tuition, fees, books, school supplies, room, and board.

## 'Blue Book' Expected by Year's End

Kies also said he expects that JCT will issue by the end of 1997 a summary of all tax legislation enacted during the year. He said work has already started on some of the larger summaries which will be included in the so-called Blue Book.

He said the book also will identify any provisions of the recently enacted tax package around which "there is a consensus on the need for technical corrections."

Should such a consensus exist, "there is a possibility this fall that we may have technical corrections," he said. He said possible legislative vehicles for technical correction provisions could be: an Intermodal Surface Transportation Efficiency Act reauthorization package, legislation expanding education savings accounts to cover costs associated with primary and secondary schools, and a comprehensive superfund reform bill.

## IRS Investigation Due By December

A JCT study of allegations that the IRS had been involved in partisan treatment of tax-exempt organizations should be completed by the end of 1997, Kies said. He noted that the chairman of the two tax committees had asked JCT to examine the allegations that IRS gave preferential treatment to certain tax-exempt organizations based on the groups' political leanings, and harsher treatment to other such organizations.

Kies said JCT has received several documents from the IRS and has met with IRS staff and with members of outside groups. He said the study--which originally was expected to be completed by September--was delayed due to efforts associated with negotiation and passage of the tax reconciliation package.

## Prospects for Ethanol Credit

Kies said Congress may consider an extension of the current ethanol tax credit as part of an ISTEA reauthorization package.

He said it would be difficult to determine how an extension of an ethanol tax credit would fare if it is included in the highway bill, since "the dynamic may be a little different" than when it initially was included in the Senate version of tax bill. The tax relief package signed by the president included no provisions dealing with ethanol.

He noted that Archer has opposed an extension of the ethanol tax incentive, while others in Congress, particularly those from Iowa, have been strong proponents of the measure.

By Katherine M. Stimmel, Vandana Mathur, and Jeremy Holmes

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Nancy.Coolidge@ucop.edu@INET@LNGTWY ( Nancy.Coolidge@ucop.edu@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME: 8-SEP-1997 02:23:30.00

SUBJECT: Reporting on HOPE Credits and Pleading for DL Consolidation REL

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

TO: Patricia A. Smith@eop ( Patricia A. Smith@eop [ OMB ] )  
READ:UNKNOWN

TO: Daniel J. Chenok@EOP ( Daniel J. Chenok@EOP [ OMB ] )  
READ:UNKNOWN

TEXT:  
Dear Jerry:

I'm glad to hear that you'll have the ear of some of the NASULGC presidents, Jerry. I did let NACUBO, ACE, AAU, and AASCU know of the concern I voiced to NASFAA with regard to the fact that the new tax law does not appear to require schools to provide data on the HOPE and LIFETIME LEARNING credits and student loan interest directly to the IRS, only to the taxpayer. I also copied Jerry Roschwalb on my note to NASFAA, so the cautionary note about institutional advocacy on this point shouldn't be unexpected to those at NASULGC.

As to your idea about enrollment data -- since we have the Clearinghouse, we should be able to refer the IRS to them to corroborate a limited range of enrollment claims that the student/family makes on a tax return -- still, whether the information comes from the campus directly or we use an agent like the Clearinghouse, we can provide only the dates of enrollment and the "more than half-time status", etc., not the critical information the IRS will need to know about whether a student is enrolled during their first or second year of postsecondary education and not whether they have a felony drug conviction, and not whether they might have been enrolled, either concurrently or sequentially during the same tax year (since it crosses academic years, this will happen even more frequently...) full time at another institution AT SOME POINT during the tax year, etc. It is hard to imagine how what additional information we will have at the campus level will really be enough to "document" what the IRS may feel it needs. In any case, I hope you'll be cautious about what you suggest that schools will or can provide. It is helpful to keep reminding one's self that the IRS will need this information, whatever it finally agreed upon, with regard to students who are not all in the care and keeping of financial aid offices.

Tom Butts put a message on the NASULGC Council of Government Affairs list that promised that there would be news of relief on the Direct Loan Consolidation issue "next week" -- which is Sept. 8 - 12, 1997. This

cannot come too soon. He specifically stated that "students would be held harmless." When you are on the panel, I hope you will emphasize to the NASULGC folks that, to date, borrowers who are not able to handle their installment repayment obligations who are at the tender mercies of the Direct Loan servicer (under the Dept.'s contract with AFSA) have NOT routinely -- and some have been refused when they asked and pressed the point -- been offered installment obligations the equivalent of what they would have been asked to pay under a consolidation (and the Secretary has the discretion to provide such... an "alternative" repayment arrangement is legal -- and should be offered until the consolidation mechanism is working on a regular and efficient basis.) No one here is eager to pilory the Department for Direct Lending difficulties with respect to ANYTHING; nevertheless, this loan consolidation interim relief is really critical... as these borrowers are going south fast, and a few weeks or (God Forbid) months is too long to wait. Please see if you can enlist NASULGC support for INTERIM RELIEF for borrowers until the consolidation problems are sorted out.

Can you imagine how the NASULGC presidents would react if they had been offered a home mortgage for a 15-yr. term, AND at the time they accepted the obligation, they had been assured that if they got into financial difficulties that they could get a 30-yr. term, instead. Even though everyone knows that a 30-yr. term costs more, a borrower with problems might choose it if circumstances warranted it -- particularly if default were the likely alternative. (OR if default of one loan had already occurred, and the borrower were attempting to stave off further defaults or to rehabilitate his/her credit rating.) But I digress... When these NASULGC presidents apply to convert (refinance) their 15-yr. notes to 30-yr. notes, they are informed that the lender is too busy with high volume (totally unexpected !!??) and is not accepting applications -- or, if they happened to have applied earlier, that the lender cannot process the previously-submitted applications for several MORE months... and they must continue to pay at the 15-yr. level each month for as long as it takes -- until the lender gets things sorted out. Wouldn't you imagine that these presidents would press for relief -- that they would believe that the terms and conditions of the original loan were not now being met by the lender?

If you could get the Dept. to instruct the servicer to provide relief BOTH to borrowers waiting in the consolidation queue and also those who are having financial problems, but who cannot at this point get into the queue for consolidation, it would put the Department in the position of being competent and caring. The current "official" advice to borrowers says nothing to those with Direct Loans and assumes that applicants can obtain sufficient relief by consolidating their FFEL paper. This is simply not so.

As you know, I work with the collections side of the house, not just the financial aid side. Believe me, this "freezing" of Direct Loan applications for consolidation affects the Perkins and HPSL (we have very few NSL these days) collection environments, too. We are extending "partial payment arrangements," economic hardship deferments, and other types of forbearances (temporary payment arrangements) to those borrowers being harmed by this freeze. The collection unit of one of our six

directing lending campuses that I spoke with late last week estimates that they have about 80 - 100 students in the queue and that they have about "10 - 20 new calls per week" that are potential users of consolidation loans of one sort or another. And it is well to keep in mind that ours is a generally a "rich" bunch of borrowers, with relatively few borrowers with extremely high debt and nearly everyone who leaves here, whether they graduate (and more than 75% DO) or not, actually get decent jobs in our recovering economy. And even given these very positive circumstances, we still have MORE than a few people affected by this -- we represent eight NASULGC campuses, of which six are in Direct Lending, Jerry.

I know that you are a trusted Direct Lending soldier and that you still have lots of solid relationships with Betsy and others inside the Department. I am heartsick that those of us pleading for borrower relief are being cast as enemies of direct lending. I don't accept the argument that providing borrower relief will further erode political support for direct lending: quite the contrary. Doing the right thing for borrowers will demonstrate that the single largest student loan lender in the country is not going to let students and schools (whose default rates are already climbing...) pay the price for an administrative clitch.

HERE'S WHAT WE NEED for BOTH those in the queue and those who call with problems who cannot get into the queue for consolidation: provide automatic administrative forbearances (temporary partial pay arrangements -- whatever it takes to meet the borrower's needs) and suspend all defaults for those who cooperate or (retroactively) for those who have been denied relief by the Direct Loan servicer since the delays in consolidation began.

It may sound simple, but to implement this will be very labor intensive. I would recommend that the DL servicer be allowed by the Dept. to provide relief with a MINIMUM of documentation (borrower-signed attestation that he/she NEEDS this temporary payment level, for example...), especially if they don't anticipate this problem persisting for very long.

Anyway, Jerry. I'm hoping that I've got you pumped to do the Lord's work, which you've always been so good at. An audience with a bunch of NASULGC presidents is an opportunity NOT to be missed, and if you can work in institutional workload relief on the tax credit, perhaps this DL consolidation borrower relief issue will appeal to your well-known sense of fairness and your well-deserved reputation for political savvy.

Please let me know how all this goes. Best wishes! Love, n.

At 05:32 PM 9/7/97 +0000, you wrote:

>Good message to NASFAA Nancy. I'm wondering how we convey the same  
>message to all of the heads of the Dupont 1 crowd. I think I will  
>work it into a panel presentation that I am doing for a group NASULGC  
>presidents next week. I agree with you that the most we should be  
>expected to do would be some type of certificate to our students that  
>tells them what we have reason to know about their attendance at our  
>school including aid awarded. They in turn would need to keep that  
>with their tax records or file it with their tax submission. It  
>would be nice if the ED would form a group of schools to learn of our  
>opinions in this matter.  
>

>===== 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 <01INDQGDZ51C00BE8K@PMDF.EOP.GOV>; Mon, 08 Sep 1997 00:51:47 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INDQGBR15S00BD28@PMDF.EOP.GOV>; Mon,

08 Sep 1997 00:51:43 -0400 (EDT)

Received: from ernie.ucop.edu ([128.48.141.1])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with ESMTP id <01INDQG1CGOC004BPX@STORM.EOP.GOV>; Mon,

08 Sep 1997 00:51:30 -0400 (EDT)

Received: from remote.ucop.edu (ainoa.ucop.edu [128.48.140.37])

by ernie.ucop.edu (AIX4.2/UCB 8.7/8.7) with SMTP id VAA06102; Sun,

07 Sep 1997 21:48:14 -0700 (PDT)

X-Sender: ncoolidg@popserv.ucop.edu

X-Mailer: Windows Eudora Pro Version 3.0 (32)

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:11-SEP-1997 11:53:42.00

SUBJECT: Re: accomplishments document

TO: Maureen McLaughlin ( Maureen\_McLaughlin @ ed.gov @ INET @ LNGTWY [ UNKNOWN ] )  
READ:UNKNOWN

TEXT:

I hope you weren't expecting much:

#### MAKING COLLEGE MORE AFFORDABLE

The Balanced Budget Agreement includes the largest single investment in higher education in 50 years. These tax credits and scholarships build on the Clinton Administration's commitment since 1993 to expand access to higher education for young people as well as for working adults.

#### Tax Cuts for Higher Education:

**HOPE SCHOLARSHIPS FOR 5.8 MILLION STUDENTS.** The \$1,500 HOPE Scholarship tax credit makes the first two years of college universally available. Families can reduce their taxes by 100% of the first \$1,000 of tuition and fees paid (less any grants and scholarships), and 50% of the next \$1,000.

**LIFETIME LEARNING TAX CREDITS FOR 7.1 MILLION STUDENTS.** The need to learn does not end with two or even four years of college. Many adults need to return to school to upgrade their skills, or to get an advanced degree. The Lifetime Learning tax credit helps reduce the financial burden of the third and fourth years of college and promote lifelong career advancement. Taxpayers can reduce their taxes by 20% of tuition and fees (less and grants and scholarships) up to \$5,000. After the year 2002, the eligible amount of tuition and fees increases to \$10,000.

**INCENTIVES FOR SAVINGS.** Taxpayers will be allowed to withdraw funds from an IRA, without penalty, to pay their own higher education expenses or those of a child, grandchild, or spouse. In addition, families may open Education IRAs for any child under 18. For each child, they may add \$500 per year, and the earnings will accumulate tax-free.

**STUDENT LOAN INTEREST.** Taxpayers -- including a parent -- in the first five years of repaying a student loan will be able to deduct the interest payment from their taxes (up to \$1,000 in 1998, rising to \$2,500 in 2001 and beyond).

#### Expansion and Improvement of Student Aid

**LARGER PELL GRANTS FOR NEARLY 4 MILLION STUDENTS.** The President's Budget includes the largest increase in Pell Grant scholarships in 20 years. The maximum award will reach \$3,000, an increase of \$700 since 1993.

CHEAPER AND EASIER STUDENT LOANS. President Clinton and the Congress in 1993 cut student fees and interest rates for all borrowers, expanded the availability of flexible repayment options, and improved service through the Direct Loan Program.

MOVING TOWARD 1 MILLION WORK-STUDY JOBS. With President Clinton's 1998 Budget, the work-study program will be 39% larger than in 1993. More than 700 colleges have committed some of their work-study students to help elementary school children improve their reading skills.

Maureen\_McLaughlin @ed.gov  
09/11/97 09:56:00 AM

Record Type: Record

To: Robert Shireman

cc:

Subject: accomplishments document

Bob--have you had a chance to look for the accomplishments document?  
Thanks Maureen

===== 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 <01INIG8SA4QO00DDNJ@PMDF.EOP.GOV> for "Robert Shireman"@oa.eop.gov; Thu,  
11 Sep 1997 09:53:17 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)  
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INIG8RE8ZK00EM3N@PMDF.EOP.GOV> for  
Robert\_Shireman@oa.eop.gov; Thu, 11 Sep 1997 09:53:16 -0400 (EDT)

Received: from vader.ed.gov ([165.224.216.253])  
by STORM.EOP.GOV (PMDF V5.1-7 #6879)  
with ESMTP id <01INIG84DC42004PJV@STORM.EOP.GOV> for  
Robert\_Shireman@oa.eop.gov; Thu, 11 Sep 1997 09:52:44 -0400 (EDT)  
Received: from smtpgwyl.ed.gov (smtpgwyl.ed.gov [165.224.216.37])  
by vader.ed.gov (8.8.5/8.8.4) with SMTP id JAA20046 for  
<Robert\_Shireman@oa.eop.gov>; Thu, 11 Sep 1997 09:50:21 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov  
(IMA Internet Exchange 2.11 Enterprise) id 00028CB5; Thu,  
11 Sep 1997 09:52:42 -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:12-SEP-1997 00:36:28.00

SUBJECT: Interest rate change

TO: Pauline\_Abernathy ( Pauline\_Abernathy @ ed.gov @ INET @ LNGTWY [ UNKNOWN ] )

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

The numbers from budget service are helpful, but they don't quantify the aggregate hit on students. There are also some other numbers that would be helpful. I did some draft talking point, below, so you can see what needs to be filled in.

THERE THEY GO AGAIN:  
CUTTING STUDENT LOAN BENEFITS

House Republicans are preparing to introduce legislation that would repeal a scheduled reduction in the interest rate charged to student loan borrowers. The lower rate will take effect next July 1 -- unless the bankers succeed in getting Congress to protect their excess profits.

The new rate will save students [\$5.4 billion] over the next five years (on an NPV basis). This interest rate change was a part of the Student Loan Reform Act of 1993. It changed the formula for determining the interest rate on student loans from the 91-day T-bill plus 3.1 percentage points (or 2.5 during the in-school and deferment periods), to an average of 10- and 20-year Treasury bonds plus one percentage point. On a cash basis, students who borrow over the next five years will pay [\$X billion] less.

All estimates point to significant savings for students. This is not an issue of one expert's estimates versus another's. Interest rate projections from CBO, OMB, and the private sector's Blue Chip projection all show that students will benefit from a reduction of [X to Y] percentage points. [Perhaps give detail].

The Republican bill would cost students [\$3.6 billion] over five years. The draft legislation purports to &reduce 8 interest rates and origination fees. But unfortunately, it increases [three] times as much as it reduces, forcing students to dig deeper into their pockets to keep bank profits high. The bankers want students to accept a recurring interest rate charge that is one percent higher, in exchange for a one-time fee reduction of one percent. But those same bankers, when they are at the other end of the equation (charging points on a mortgage), insist that a one percentage point fee is equivalent to only a X percentage point reduction in interest.

They are holding low-income students hostage to extort bank profits. The banker protection provisions are included in a bill that also makes important changes to ensure that all deserving low-income students have access to Pell Grants. Supporters are cynically holding those students hostage in order to increase student loan interest rates at the behest of banks.

(What about PLUS?)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:12-SEP-1997 09:47:33.00

SUBJECT: Interest rate change

TO: pauline\_abernathy ( pauline\_abernathy @ ed.gov @ inet [ UNKNOWN ] )

READ:UNKNOWN

CC: william\_graham ( william\_graham @ ed.gov @ inet [ UNKNOWN ] )

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

I'm not sure this actually got sent last night.

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/12/97

09:48 AM -----

Robert M. Shireman

09/12/97 12:36:19 AM

Record Type: Record

To: Pauline\_Abernathy @ ed.gov @ INET @ LNGTWY

cc: Wayne Upshaw/OMB/EOP

Subject: Interest rate change

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(What about PLUS?)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William\_Graham@ed.gov@INET@LNGTWY ( William\_Graham@ed.gov@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME:12-SEP-1997 10:44:23.00

SUBJECT: Re: Interest rate change

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

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

TEXT:

We are still working on the numbers and expanding the analysis. Thinking it over last night we may need to reevaluate the Pell proposal up substantially.  
We will fill in all the points that Bob mentions.

William

Message Creation Date was at 12-SEP-1997 09:47:00

I'm not sure this actually got sent last night.

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/12/97  
09:48 AM -----

Robert M. Shireman  
09/12/97 12:36:19 AM  
Record Type: Record

To: Pauline\_Abernathy @ ed.gov @ INET @ LNGTWY  
cc: Wayne Upshaw/OMB/EOP  
Subject: Interest rate change

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The new rate will save students [\$5.4 billion] over the next five years (on an NPV basis). This interest rate change was a part of the Student Loan Reform Act of 1993. It changed the formula for determining the interest rate on student loans from the 91-day T-bill plus 3.1 percentage points (or 2.5 during the in-school and deferment periods), to an average of 10- and 20-year Treasury bonds plus one percentage point. On a cash basis, students who borrow over the next five years will pay [\$X billion] less.

All estimates point to significant savings for students. This is not an issue of one expert's estimates versus another's. Interest rate projections from CBO, OMB, and the private sector's Blue Chip projection all show that students will benefit from a reduction of [X to Y] percentage points. [Perhaps give detail].

The Republican bill would cost students [\$3.6 billion] over five years. The draft legislation purports to reduce interest rates and origination fees. But unfortunately, it increases [three] times as much as it reduces, forcing students to dig deeper into their pockets to keep bank profits high. The bankers want students to accept a recurring interest rate charge that is one percent higher, in exchange for a one-time fee reduction of one percent. But those same bankers, when they are at the other end of the equation (charging points on a mortgage), insist that a one percentage point fee is equivalent to only a X percentage point reduction in interest.

They are holding low-income students hostage to extort bank profits. The banker protection provisions are included in a bill that also makes important changes to ensure that all deserving low-income students have access to Pell

Grants. Supporters are cynically holding those students hostage in order to increase student loan interest rates at the behest of banks.

(What about PLUS?)

===== 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 <01INJWUSLJ400CZTG@PMDF.EOP.GOV>; Fri, 12 Sep 1997 10:33:21 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)  
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INJVWT950000F1T2@PMDF.EOP.GOV>; Fri,

12 Sep 1997 10:33:19 -0400 (EDT)

Received: from vader.ed.gov ([165.224.216.253])  
by STORM.EOP.GOV (PMDF V5.1-7 #6879)  
with ESMTP id <01INJVW4WICU004CO4@STORM.EOP.GOV>; Fri,  
12 Sep 1997 10:32:47 -0400 (EDT)

Received: from smtpgwyl.ed.gov (smtpgwyl.ed.gov [165.224.216.37])  
by vader.ed.gov (8.8.5/8.8.4) with SMTP id KAA04277; Fri,  
12 Sep 1997 10:30:22 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov  
(IMA Internet Exchange 2.11 Enterprise) id 0002A7C3; Fri,  
12 Sep 1997 10:31:33 -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:12-SEP-1997 11:32:34.00

SUBJECT: Re: Interest rate change

TO: Don\_Feuerstein ( Don\_Feuerstein @ ed.gov @ INET @ LNGTWY [ UNKNOWN ] )  
READ:UNKNOWN

CC: pauline\_abernathy ( pauline\_abernathy @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TEXT:

When the change was made in 1993, based on the projections at the time, it would have LOWERED rates, just like it is now projected to do. I think what you are saying, Don, is that if it was put into effect immediately in 1993 it would have raised rates. But no one was proposing that.

Don\_Feuerstein @ ed.gov  
09/12/97 10:46:00 AM

Record Type: Record

To: Robert M. Shireman

cc:

Subject: Re: Interest rate change

We should also make the point that, when the interest rate change was adopted in 1993, it would have increased interest rates. The bankers want to change the rate formula whenever it is in their favor to do so. I assume that William has the 1993 rate comparisons.

---

Reply Separator

---

Subject: Interest rate change  
Author: Pauline Abernathy at WDCB01  
Date: 09/12/97 10:15 AM

Tom, can you ask your staff for the blanks here? Thank you all.

---

Forward Header

---

Subject: Interest rate change

Author: Robert\_M.\_Shireman@oa.eop.gov at Internet

Date: 9/12/97 12:36 AM

Message Creation Date was at 12-SEP-1997 00:36:00

The numbers from budget service are helpful, but they don't quantify the aggregate hit on students. There are also some other numbers that would be helpful. I did some draft talking point, below, so you can see what needs to be filled in.

#### THERE THEY GO AGAIN: CUTTING STUDENT LOAN BENEFITS

House Republicans are preparing to introduce legislation that would repeal a scheduled reduction in the interest rate charged to student loan borrowers. The lower rate will take effect next July 1 -- unless the bankers succeed in getting Congress to protect their excess profits.

The new rate will save students [\$5.4 billion] over the next five years (on an NPV basis). This interest rate change was a part of the Student Loan Reform Act of 1993. It changed the formula for determining the interest rate on student loans from the 91-day T-bill plus 3.1 percentage points (or 2.5 during the in-school and deferment periods), to an average of 10- and 20-year Treasury bonds plus one percentage point. On a cash basis, students who borrow over the next five years will pay [\$X billion] less.

All estimates point to significant savings for students. This is not an issue of one expert's estimates versus another's. Interest rate projections from CBO, OMB, and the private sector's Blue Chip projection all show that students will benefit from a reduction of [X to Y] percentage points. [Perhaps give detail].

The Republican bill would cost students [\$3.6 billion] over five years. The draft legislation purports to reduce interest rates and origination fees. But unfortunately, it increases [three] times as much as it reduces, forcing students to dig deeper into their pockets to keep bank profits high. The

bankers want students to accept a recurring interest rate charge that is one percent higher, in exchange for a one-time fee reduction of one percent. But those same bankers, when they are at the other end of the equation (charging points on a mortgage), insist that a one percentage point fee is equivalent to only a X percentage point reduction in interest.

They are holding low-income students hostage to extort bank profits. The banker protection provisions are included in a bill that also makes important changes to ensure that all deserving low-income students have access to Pell Grants. Supporters are cynically holding those students hostage in order to increase student loan interest rates at the behest of banks.

(What about PLUS?)

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

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id <01INJWF696W000DGB0@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Fri,

12 Sep 1997 10:47:22 -0400 (EDT)

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by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INJWF182TS004GPI@PMDF.EOP.GOV> for  
Robert\_M.\_Shireman@oa.eop.gov; Fri, 12 Sep 1997 10:47:14 -0400 (EDT)

Received: from vader.ed.gov ([165.224.216.253])  
by STORM.EOP.GOV (PMDF V5.1-7 #6879)  
with ESMTP id <01INJWEF9VOI004CO4@STORM.EOP.GOV> for  
Robert\_M.\_Shireman@oa.eop.gov; Fri, 12 Sep 1997 10:46:44 -0400 (EDT)

Received: from smtpgwyl.ed.gov (smtpgwyl.ed.gov [165.224.216.37])  
by vader.ed.gov (8.8.5/8.8.4) with SMTP id KAA04608 for  
<Robert\_M.\_Shireman@oa.eop.gov>; Fri, 12 Sep 1997 10:44:20 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov  
(IMA Internet Exchange 2.11 Enterprise) id 0002A856; Fri,  
12 Sep 1997 10:45:00 -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:12-SEP-1997 09:50:29.00

SUBJECT: Re: can you please review this draft. I need comments this evening (or by 9 am tomorrow at the latest.)

TO: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

I couldn't sleep, thinking about a student loan interest rate controversy  
that is brewing. . .

William R. Kincaid  
09/12/97 08:49:58 AM  
Record Type: Record

To: Robert M. Shireman/OPD/EOP

cc:

Subject: Re: can you please review this draft. I need comments  
this evening (or by 9 am tomorrow at the latest.)

Bob, are you really reviewing your e-mail at 12:45 a.m.? If so, we need  
to talk...

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Russell W. Horwitz ( CN=Russell W. Horwitz/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:12-SEP-1997 17:49:56.00

SUBJECT: two questions

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

TEXT:

Student Loan Interest Rate. One of the student benefits of the loan reforms in OBRA 1993 was a change --due to take effect next July 1 --in the method by which the borrower's interest rate is determined. The new rate is 50-100 or more basis points lower than the current rate, bringing upwards of \$3 billion in savings to borrowers over the next five years (we are in the process of getting new estimates). The banks and Sallie Mae have been working the Hill to repeal the change.

The latest rumor is that Rep. Bart Gordon (D-Tenn.), a long-time opponent of direct loans, might take it on. Another approach, a draft by Goodling's staff, would extort (Is this the right word) the repeal by attaching it to provisions implementing your proposed expansion of Pell Grants for low-income independent students. Higher education groups have already made Republicans aware that they will scream & student loan cuts if they move forward with this. We are preparing to respond similarly.

Education and Training Appropriations. Our opportunity to negotiate with Congress on the Labor-HHS-Education Appropriations Bill is coming up soon. We have been working with OMB to ensure that our message does not give the impression that national testing (and now the Gorton block grant) are the only issues that might spell veto. As you know, the Republican leadership is trying to pit our priorities --including items like America Reads and Pell Grant expansion, which are in the Budget Agreement -- against their increases for special education and health programs. I think we need to take a strong stand that the Republican leadership must keep their word. We can't let them force us to & cut from the areas where they have put money. (what does this mean)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Nancy.Coolidge@ucop.edu@INET@LNGTWY ( Nancy.Coolidge@ucop.edu@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME:16-SEP-1997 14:51:25.00

SUBJECT: DATA DESPERATELY NEEDED!!!

TO: Daniel I. Werfel@eop ( Daniel I. Werfel@eop [ OMB ] )  
READ:UNKNOWN

TO: S. A. Noe@eop ( S. A. Noe@eop [ OMB ] )  
READ:UNKNOWN

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

TO: Daniel J. Chenok@EOP ( Daniel J. Chenok@EOP [ OMB ] )  
READ:UNKNOWN

TEXT:

An important exchange with a professional colleague regarding the recently-posted PIRG objections to bill to change student loan interest rates:

At 12:46 PM 9/16/97 -0500, you wrote:

NANCY...I AM UNDER THE IMPRESSION THAT THIS BILL (ed., see note below) SOLVES THE INDEPENDENT STUDENT PROBLEM, LOWERS THE ORIGINATION FEE AND WOULD ALLOW THE CONSOLIDATION TO FLOW BOTH WAYS....PEOPLE MAY WANT TO STUDY THIS BILL BEFORE SAYING IT IS UNREASONABLE....THOUGHTS

My response:

I am under the impression that the dollar value of the COST of solving the problems of 1) the independent students' Pell eligibility, the differential origination fees, and the sale of consolidation loans from the direct loan program to FFELP holders IS NOT NEARLY as GREAT as the LOSS that this failure to reduce interest rates would represent to students. If my information is correct, this proposal is NOT A GOOD TRADE FOR STUDENTS...

Some comparative cost projections would be useful -- is anyone in Washington willing to share with the community the data on what these trade-offs are estimated to COST -- to the taxpayers and to students?

I completely agree with you that we should study a bill before declaring it unreasonable. But just having a bill language before us is not sufficient: I THINK THAT WE NEED BETTER COST ANALYSIS before we decide what is reasonable. Please, can the Department of Education and our Washington-based associations provide cost estimates of what we're talking about trading here? n.

Previously forwarded:

>>-----

>>From: Nancy Coolidge[SMTP:Nancy.Coolidge@ucop.edu]

>>Sent: Tuesday, September 16, 1997 12:19 PM

>>To: casfaa@scuacc.scu.edu; wasfaa@scuacc.scu.edu

>>Cc: Nancy.Coolidge@ucop.edu

>>Subject: Student Borrower Take-away

>>  
>>The Washington-based U.S. Public Interest Research Group, PIRG, has posted  
>>the following warning that Congress is under pressure from private  
lenders

>>in the FFELP to change the current law, which would reduce the student  
loan

>>interest rates beginning in July 1998. If Congress changes the law the  
>>way the lenders are advocating, PIRG estimates that students would pay up  
>>to \$9 Billion MORE than they would if the current law moves forward and  
is

>>implemented as written.

>>

>>I have edited the PIRG announcement by deleting their call to action.

>>

>> n.

>>

>>Forwarding:

>>-----

>>>CONGRESS IS POISED TO CONSIDER A PROPOSAL TO INCREASE BORROWER INTEREST  
>>>COSTS BY \$9 BILLION

>>>

>>>Lenders Stand to Gain \$7 Billion Windfall.

>>>

>>>Students Under Attack In The U.S. House Of Representatives

>>>

>>>Some members of the House Education and the Workforce Committee and/or  
>>>Rep. Bart Gordon (D-TN) are apparently considering offering an amendment  
>>>to the Labor-HHS-Education appropriations bill that would either repeal  
>>>or delay the scheduled reduction in the interest rates on student loans.

>>>

>>>The loan industry has been lobbying Congress to derail the reduction in  
>>>student interest rates that is currently scheduled to go into effect on  
>>>July 1, 1998. It now appears that some members of the House Education  
>>>and the Workforce Committee are poised to offer an amendment to either  
>>>repeal or postpone the upcoming reduction in interest rates.

>>>

>>>Under Congressional Budget Office projections, repealing the rate  
>>>reduction would cost student loan borrowers \$10.9 BILLION in additional  
>>>interest payments for loans made from July 1, 1998 through Fiscal Year  
>>>2002.

>>>

>>>To render the proposal more palatable, this nearly \$11 billion rate hike  
>>>has sometimes been packaged with a 1% reduction in upfront  
>>>fees. Such a reduction would SAVE borrowers \$1.523 BILLION over the  
>>>same 5 year period.

>>>

>>>Some versions of the proposal also reduce in-school and grace period

>>>rates by a total of \$361 MILLION over five years. This is apparently  
>>>an effort to soften the blow to students. Regardless, the total cost to  
>>>students is staggering.  
>>>  
>>>The net cost to borrowers of packaging the three proposals (a rate hike  
>>>in the amount of \$10.9 BILLION and a fee reduction in the amount of \$1.5  
>>>BILLION, and a \$361 MILLION reduction for in-school/grace period) would  
>>>be a staggering \$9.04 BILLION in additional cost to students. Of this  
>>>amount, roughly \$2 billion would go to the federal government (in the  
>>>direct loan program), and about \$7 billion would go to lenders in the  
>>>form of increased profits.

>>  
>>>#####  
>>>Ivan Frishberg, | Internet: ivan@PIRG.org  
>>>PIRG's Higher Education Project | Phone: (202)  
546-9707  
>>>U.S.Public Interest Research Group | Fax: (202) 546-2461  
>>>218 D St., SE, Washington, DC 20003 | WWW: www.pirg.org  
>>>#####  
>>>  
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>

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

TEXT:

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id <01INPPT72LUO00DD44@PMDF.EOP.GOV>; Tue, 16 Sep 1997 14:43:22 -0400 (EDT)  
Received: from storm.eop.gov (storm.eop.gov)  
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INPPT2UFGG00F9RQ@PMDF.EOP.GOV>; Tue,  
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16 Sep 1997 14:42:43 -0400 (EDT)  
Received: from mokuna.UCOP.EDu (mokuna.ucop.edu [128.48.117.83])  
by ernie.ucop.edu (AIX4.2/UCB 8.7/8.7) with SMTP id LAA40426; Tue,  
16 Sep 1997 11:41:53 -0700 (PDT)  
X-Sender: ncoolidg@popserv.ucop.edu  
X-Mailer: Windows Eudora Pro Version 3.0 (32)  
X-Priority: 2 (High)

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Nancy.Coolidge@ucop.edu@INET@LNGTWY ( Nancy.Coolidge@ucop.edu@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME:18-SEP-1997 23:24:12.00

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

TO: Daniel I. Werfel@eop ( Daniel I. Werfel@eop [ OMB ] )  
READ:UNKNOWN

TO: S. A. Noe@eop ( S. A. Noe@eop [ OMB ] )  
READ:UNKNOWN

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

TO: Daniel J. Chenok@EOP ( Daniel J. Chenok@EOP [ OMB ] )  
READ:UNKNOWN

TEXT:  
Dear John:

I very much appreciate your explanation and the faxed material -- I am quite impressed that you took the time to provide so much commentary in the note below! I also appreciate the frustrations associated with an e-mail debate, and so will not use this opportunity for that purpose with my e-mail clipping service readership, although I'm happy to share your message with them, if you feel you'd prefer it be out there to counter the PIRG piece and if you believe that it would not provoke unwanted e-mail responses -- always an issue. So, unless you say so, I won't share your note with that large and varied population. As I'm sure you are well aware, some of the financial aid community is already trading information and opinions on this topic, so a version of such a debate is taking place, irrespective of our exchange. Obviously, few of us are well informed, or comfortable with this issue.

I think that I understand your point that the CBO cost analyses are highly volatile and that the assumptions PIRG used in its analysis may exaggerate the most likely outcomes. I believe that I could be persuaded that subtle or complex issues are being glossed over and that important, but difficult-to-portray-as-simple points are being obscured by snappy rhetoric (how often I have believed myself to be in that very position -- in fact, I would suggest that the student and higher education community are frequently so entrapped!)

Still, John, I cannot feel I'm doing justice to the integrity of this larger issue if I shy away from sharing with you the underlying problem that I believe the private capital providers are struggling with this time: a substantial portion of the higher education community just doesn't trust you any more.

The parable that is being whispered about in my circles is that of the "Boy Who Cried Wolf."

This time you may, in fact, be facing a real and substantial impediment to participation in the guaranteed student loan programs. The bankers and economists who decide whether their financial institutions can make enough profit with the July 1, 1998 interest rate benchmarks will not be the friendly folks who market us and who negotiate alongside the school community for more reasonable administrative rules for these valuable programs.

But you've threatened us with this prospect before. In most cases, the power of this threatened withdrawal has been sufficient to leverage what you wanted; the community's bowing and scraping to defend and accommodate you has lingered in memory. In only one case has the community really taken on chance on confronting you -- when a small group walked off into an uncertain future with Direct Lending. You predicted cataclysm and you fought a pitched battle, the scars of which are palpable for many. And, when some of the dust settled (I'll agree, this sort of thing is an evolving story...), we realized that most of the important capital providers were still players, that service to institutions and students was improving, that some reliable populations of students were getting credit at more reasonable rates, that the speed of automation increased exponentially, and that guarantee agencies didn't provide the same value-added to the mix that they had when they were "invented" before technology reduced the need for a more local "federal face." We all grew up.

If the private student loan capital starts drying up, some schools may be forced to participate in direct lending, even if that's not their first choice. If we in the higher education community ever want to see in sharp relief the students (and their institutions) that the actuarial world views as "high risk" and for whom University of California (for example) students are paying insurance premiums, this is the moment. Forcing such risky students and schools to apply to participate in direct lending or to participate in the "lender of last resort" maize, could be a very good thing for consumer protection. Some students should not be borrowing and some "educational" or "vocational" offerings are not worth borrowing for! Pressure on the availability of less-enhanced capital could provide the sort of market-driven, hardnosed reality check that the Department of Education's institutional oversight efforts have struggled to impose all these years.

But if there was ever a time in history when it was in higher education's interests to force the cost of credit down by taking a chance on student loan capital becoming scarce, now is that time. If we ever want to determine where the real edges of profitability are, we cannot duck this opportunity.

I think that is why your carefully-hewn and possibly quite legitimate arguments are not being taken seriously, even by all those who are analytical enough to comprehend them.

This response does not address your points, John, because we can't get

past the trust issue. Your arguments are admittedly "Daedalian -- but," as the quotation goes, "unpersuasive."

I'm a great admirer of yours, so I hope we're still speaking! Your friend, Nancy

At 10:13 AM 9/18/97 -0400, you wrote:

>Nancy: I will be forwarding you by regular fax the ED Budget Office  
>prepared analysis of the projected increased cost to student loan  
borrowers  
>of repealing the ten year bond based borrower interest rates on FFEL and  
>FDSL loans scheduled to go into effect on July 1, 1998. The numbers are  
>dramatic and surprised many in D.C. because they were almost twice  
previous  
>estimates. We are trying to ED to explain to us how they reached the  
numbers.  
>  
>There is no question that under the economic assumptions currently being  
>used by both the Congressional Budget Office(CBO) and OMB that borrowers  
are  
>likely to pay more interest on their student loans than under the 91 day  
>to-bill rates currently used in the interest rate formula in both  
programs.  
>  
>As is well known throughout the community, the banking industry has been  
>working hard to persuade Congress that the 1998 interest rates should be  
>repealed. Here's our thinking:  
>  
>1) The ten year bond based rates were not enacted (in 1993 as part of the  
>Direct Loan legislation) to reduce borrower interest costs, but to "match  
>fund" Direct loan funding with the borrower's interest rate. The thinking  
>was that the OMB presumed cost of funds in FDSL was ten year treasury debt  
>and the 1 percent is a presumed cost of servicing. When a compromise was  
>hammered out to provide for continuation of both programs, nobody  
considered  
>whether a ten year bond based interest rate worked in the FFEL program.  
>  
>2) Importantly, the history of the ten year bond suggests that had the  
ten  
>year bond plus one interest rate been in effect for past ten years,  
>borrowers would have paid more in six of those years. Three of those  
years  
>are '92, '93, and '94. On the basis of this history, we have been  
>comfortable in saying that lower borrower interest costs are in no way  
>certain under the ten year bond based rate. We also point out that the  
CBO  
>projections are "straightlined" after the year 2000--CBO is not attempting  
>to say what rates will be that far into the future.  
>  
>Since CBO was created, it has ALWAYS changed its economic assumptions  
every  
>six months. Six months from now CBO may tell us that borrowers may pay  
even

>less under the ten year treasury bond, but they may also tell us that the  
>borrowers will pay more. Given the very low treasury debt assumptions  
>currently in place and the fact that in low inflationary times the  
>difference in rates between the 91-day treasury bill and the 10 year  
>treasury bill narrows, any increase in inflation will likely mean lower  
>projected savings or even additional costs.

>

>3) Knowing that nobody in Congress wants to increase the cost of student  
>loans for borrowers, FFEL interests suggested that all savings from  
>repealing the ten year bond based rates should go to reducing the cost of  
>loans to students. The budget savings of over \$1 billion made possible a  
>one percent reduction in the borrower origination fee. We called this "a  
>bird in the hand" and suggested it was better than "two birds in the  
bush,"

>hanging our hat on the speculative nature of the lower costs to students  
>under the ten year rates. (Please note that the \$1 billion in "savings"  
>comes from the presumed higher interest costs paid by borrowers in the  
FDSL

>program---Some have questioned whether it is "fair" to have additional  
>interest costs paid by borrowers in FDSL go to reduce the borrower paid  
>origination fee in FFEL (as well as FDSL). We were not troubled by this,  
>thinking that this issue should not be about the "competition" between the  
>two programs and that any reduction in origination fees to any borrowers  
was

>a good thing).

>

>4) FFEL interests have been called "stupid" by some for pursuing the  
repeal

>or modification of the 1998 interest rates, given the keen interest in the  
>issue on the part of students. The fact of the matter is that if the new  
>rates go into effect, and if the CBO is right, even in the short term,  
FFEL

>lenders would not be able to make loans. Please understand that nobody is  
>saying they will quit promptly at 12:01 on July 1, 1998, but rather that  
>over the next 12 to 18 months there would be virtually complete  
abandonment

>of the program.

>

>The problems are two fold: There is "interest rate risk" inherent in  
>funding loans tied to the ten year treasury bond with short term  
financing.

>(Please note that lenders understand that the borrower's interest rate  
would

>be reset annually based on prevailing ten year bond rates) Lenders,  
>consulting with firms like Smith Barney, Paine Webber, Goldman Sachs, and  
>Sallie Mae have indicated that they can "hedge" against this interest rate  
>risk, but doing so could cost as much as 1.2 percent. (The hedge is  
>relatively simple: By contract an outside party agrees to guarantee the  
>lender a return on the student loans corresponding to the lenders cost of  
>funds--If the borrower paid interest rate is much less than the amount  
>corresponding to the lenders cost of funds, a payment is made to the  
>borrower. If the borrower's rate proves higher, no payment is made. Thus  
>the "hedge" is in essence an insurance policy). Bob Shireman, now of the  
>White House National Economic Council has said that our estimated cost of

>between .8 and 1.2 percent is too high. He has not offered any evidence to  
>substantiate his claim, saying that "economists" told him the hedge cost is  
>lower than we claim.  
>  
>The second issue is yield. Even without the "hedge" cost added to the mix,  
>lender return on loans would drop by at least .6 percent. (As noted above,  
>in some years, lenders would actually get a higher return, but bankers want  
>predictability. They are not willing to gamble making nothing on their  
>student loans for several years in exchange for the possibility of making a  
>higher return in future years).  
>  
>Frankly, the reason why the FFEL interests haven't come to an agreement with  
>student and other groups (Mr. Barmak Nassirian of AASCU has been very active  
>on this issue) is because the yield is not there to modify the 91 day rate  
>to equalize the POSSIBLE reductions to student loan borrowers. This  
>situation, frankly, is what has stopped an agreement from taking place.  
>  
>Please note that the Gordon bill did include what used to be considered a  
>large cut in FFEL lender yield and that FFEL interests do expect that some  
>sort of a cut will occur in lender yield. It is impossible, unfortunately,  
>to cut much more.  
>  
>  
>All of the above has led us to consider the 1998 interest rate issue as one  
>about whether FFEL will remain viable. We note, using EDs own numbers that  
>when the projected savings to students are translated into a change in the  
>monthly payment amount, the added possible cost to students is much lower  
>(we know that many in the community find ANY increase troubling). For  
>example, ED suggests that on a subsidized Stafford of \$3,431 to a student  
>attending a 4 year school, the net cost of the FFEL industry proposal is  
>only \$71 dollars. When translated as a difference in the monthly loan  
>repayment amount of a borrower on a ten year repayment schedule, the  
>arithmetic shows an increase of 59 cents per month.  
>  
>We have seen the material being put out by the U.S. Public Interest Research  
>Group and find it troubling. US PIRG is suggesting Lenders will "Gain \$7  
>Billion Windfall" when actual lender return on student loans would decline  
>from the rates they are currently receiving. US PIRG apparently also  
>totally rejects any acknowledgement that the savings they portray as real  
>are in fact only possible.  
>  
>The 1998 interest rate problem has real issues in it on which people can

>disagree, but it is not about some sort of a FFEL lender grab for cash.  
>FFEL interests believe FFEL itself is in jeopardy and that students,  
>schools, ED and the Department should be working together to figure out a  
>way to address the problem. Nobody wants borrowers to pay more on their  
>student loans, but if the 1993 legislation is viewed as a legislative  
>mistake, the consequences of which were not appreciated, then maybe  
progress  
>can be made on this issue.

>  
>Nancy, I am not interested in entering into some sort of an e-mail debate  
on  
>this issue with parties that I expect are not interested in the other side  
>of this difficult, esoteric issue. I don't think that helps either side  
on  
>this issue. If the FFEL concerns are credible, we should be figuring out a  
>fix.

>  
>John Dean  
>Special Council,  
>Consumer Bankers Association  
>deandbm@jdbm.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 <01INT0HIAJXC00F3S5@PMDF.EOP.GOV>; Thu, 18 Sep 1997 23:20:55 -0400 (EDT)  
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by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INT0HEXZN4006IE9@PMDF.EOP.GOV>; Thu,

18 Sep 1997 23:20:49 -0400 (EDT)  
Received: from ernie.ucop.edu ([128.48.141.1])  
by STORM.EOP.GOV (PMDF V5.1-7 #6879)  
with ESMTP id <01INT0H486J2004Y0R@STORM.EOP.GOV>; Thu,  
18 Sep 1997 23:20:35 -0400 (EDT)  
Received: from mokuna.UCOP.EDu (mokuna.ucop.edu [128.48.117.83])  
by ernie.ucop.edu (AIX4.2/UCB 8.7/8.7) with SMTP id UAA40096; Thu,  
18 Sep 1997 20:20:26 -0700 (PDT)

X-Sender: ncoolidg@popserv.ucop.edu

X-Mailer: Windows Eudora Pro Version 3.0 (32)

===== 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-SEP-1997 10:20:21.00

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

TO: Nancy.Coolidge ( Nancy.Coolidge @ ucop.edu @ INET @ LNGTWY [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

Thanks for this. Interesting that the savings to students are so spurious (early paragraphs) but the lower yield for lenders is so certain (final paragraphs).

Can I quote from Dean, or was this a confidential communication.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:19-SEP-1997 16:22:47.00

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

TO: Nancy.Coolidge ( Nancy.Coolidge @ ucop.edu @ INET @ LNGTWY [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

Just in case I don't have time for a complete refutation, let me note that the change WAS most certainly intended to be a reduction in the interest rate. Proof: (a) The Administration's 1993 projections for 1998 and beyond show it would have resulted in a 60 basis point reduction -- about what CBO now projects; and (b) Why, in moving to a SINGLE interest rate from the dual (in-school and repayment) approach, would we have gone to a rate that increases the in-school rate? Isn't it more plausible that we would have reduced the in-repayment rate to an equivalent of the lower, in-school rate? ( Indeed,  $T+3.1$  minus 60 basis points equals  $T+2.5$ ).

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:22-SEP-1997 11:40:15.00

SUBJECT: [final] Families' Guide to Tax Cuts for Education

TO: Sonyia Matthews ( CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

please translate and print

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/22/97

11:37 AM -----

Pauline\_Abernathy @ ed.gov

09/21/97 08:36:00 PM

Record Type: Record

To: Robert M. Shireman, William R. Kincaid

cc:

Subject: [final] Families' Guide to Tax Cuts for Education

=

FYI. Final Families Guide attached. I have also put it in the t=  
ext =

below.

\_\_\_\_\_  
Forward Header \_\_\_\_\_=

Subject: [final] Families' Guide to Tax Cuts for Education

Author: Jill Riemer at WDCB01

Date: 9/17/97 3:55 PM

Last night, after a lot of back and forth, DoED and Treasury reached=  
a =

final agreement on the two-page Families' Guide. A lot of effort on=  
=

all sides was put into making this document something that both =

agencies can live with comfortably.

=

Kirk Winters will soon be placing this guide on our web page and mentioning it in ED INFO and ED INITIATIVES. Kevin and others will be putting some thought towards creating a brochure-like piece for the guide in the new fiscal year.

Please notify the appropriate parties that this is the official version to be used from this point forward. Thank you -- Jill

## FAMILIES' GUIDE TO THE 1997 TAX CUTS FOR EDUCATION

Many new tax benefits for adults who want to return to school and for parents who are sending or planning to send their children to college will be available due to the balanced budget signed into law in August, 1997. These tax cuts effectively make the first two years of college universally available, and they will give many more working Americans the financial means to go back to school if they want to choose a new career or upgrade their skills. When fully phased in, 12.9 million students are expected to benefit -- 5.8 million under the "HOPE Scholarship" tax credit, and 7.1 million under the Lifetime Learning tax credit.

=B7 Up to a \$1,500 "HOPE Scholarship" tax credit for students starting college

The "HOPE Scholarship" tax credit helps make the first two years of college or vocational school universally available. Students will receive a 100% tax credit for the first \$1,000 of tuition and required fees and a 50% credit on the second \$1,000. This credit is available for tuition and required fees less grants,

scholarships, and other tax-free educational assistance and will =  
be available for payments made after December 31, 1997 for college =  
enrollment after that date. A high school senior going into his =  
or her freshman year of college in September, 1998, for example, =  
could be eligible for as much as a \$1,500 HOPE tax credit. =

=

This credit is phased out for joint filers who have between =  
\$80,000 and \$100,000 of adjusted gross income, and for single =  
filers who have between \$40,000 and \$50,000 of adjusted gross =  
income. The credit can be claimed in two years for students who =  
are in their first two years of college or vocational school and =  
who are enrolled on at least a half-time basis in a degree or =  
certificate program for any portion of the year. The taxpayer can =  
claim a credit for his own tuition expense or for the expenses of =  
his or her spouse or dependent children.

=

A married couple with an adjusted gross income of \$60,000 has two =  
children in college at least half-time, one at a community college =  
with a tuition of \$2,000 and the other a sophomore at a private =  
college with tuition of \$11,000. Using the HOPE Scholarship tax =  
credit, this couple would have their taxes cut by as much as =  
\$3,000.

=

=B7 The Lifetime Learning tax credit

=

This tax credit is targeted to adults who want to go back to =  
school, change careers, or take a course or two to upgrade their =  
skills and to college juniors, seniors, graduate and professional =

degree students. A family will receive a 20% tax credit for the first \$5,000 of tuition and required fees paid each year through 2002, and for the first \$10,000 thereafter. Just like the "HOPE Scholarship" tax credit, the Lifetime Learning tax credit is available for tuition and required fees less grants, scholarships, and other tax-free educational assistance; families may claim the credit for amounts paid on or after July 1, 1998 for college or vocational school enrollment beginning on or after July 1, 1998. The maximum credit is determined on a per-taxpayer (family) basis, regardless of the number of post-secondary students in the family, and is phased out at the same income levels as the "HOPE Scholarship" tax credit. Families will be able to claim the Lifetime Learning tax credit for some members of their family and the "HOPE Scholarship" tax credit for others who qualify in the same year.

A homemaker, whose family has an adjusted gross income of \$70,000, wants to attend a graduate teacher training program at a public university (\$3,500 tuition) after being out of college for 20 years. Using the Lifetime Learning credit, her family's income taxes would be cut by as much as \$700.

A married couple has an adjusted gross income of \$32,000. The husband who is working as an automobile mechanic decides to go back to a local technical college to take some computer classes in the hope of getting a better job. He will pay a tuition of \$1,200. Using the Lifetime Learning credit, this family would have their taxes cut by as much as \$240.

=B7 Parents and grandparents can create education IRAs and make =  
penalty-free withdrawals from other IRAs  
=

Beginning January 1, 1998, taxpayers may withdraw funds from an =  
IRA, without penalty, for their own higher education expenses or =  
those of their spouse, child, or even grandchild. In addition, for =  
each child under age 18, families may deposit \$500 per year into =  
an Education IRA in the child's name. Earnings in the Education =  
IRA will accumulate tax-free and no taxes will be due upon =  
withdrawal if the money is used to pay for post-secondary tuition =  
and required fees (less grants, scholarships, and other tax-free =  
educational assistance), books, equipment, and eligible room and =  
board expenses. Once the child reaches age 30, his or her =  
Education IRA must be closed or transferred to a younger member of =  
the family.  
=  
=

A taxpayer's ability to contribute to an Education IRA is phased =  
out when the taxpayer is a joint filer with an adjusted gross =  
income between \$150,000 and \$160,000, or a single filer with an =  
adjusted gross income between \$95,000 and \$110,000. There are a =  
few restrictions. A student, for example, who receives the =  
tax-free distributions from an Education IRA may not, in the same =  
year, benefit from the "HOPE Scholarship" or Lifetime Learning tax =  
credits.  
=

=B7 Greater flexibility for families saving in qualified State =  
tuition plans =

=

When a family uses a qualified State-sponsored tuition plan to =  
save for college, no tax is due in connection with the plan until =  
the time of withdrawal as a result of a law passed last year. =  
This year's change in law allows families to use these plans to =  
save not only for tuition but also for certain room and board =  
expenses for students who attend on at least a half-time basis. =  
Tuition and required fees paid with withdrawals from a qualified =  
State tuition plan are eligible for the "HOPE Scholarship" tax =  
credit and Lifetime Learning tax credit. These benefits are =  
available on January 1, 1998.

=

=B7 Paying back student loans at a lower cost

=

For many college graduates, one of their first financial =  
obligations is to repay their student loans, which average about =  
\$13,500 per student. The new student loan interest deduction will =  
reduce the burden of the repayment obligation by allowing students =  
or their families to take a tax deduction for interest paid in the =  
first 60 months of repayment on student loans. The deduction is =  
available even if an individual does not itemize other deductions.

=

The maximum deduction is \$1,000 in 1998, \$1,500 in 1999, \$2,000 in =  
2000, and \$2,500 in 2001 and beyond. It is phased out for joint =  
filers with adjusted gross income between \$60,000 and \$75,000, and =  
single filers with adjusted gross income between \$40,000 and =  
\$55,000. The deduction is available for all educational loans, =  
including loans made to students, parents, guaranteed student =  
loans, and loans from private lenders, made before August of 1997 =

when the new student loan interest deduction became law but only =  
to the extent that the loan is within the first 60 months of =  
repayment. =

=

A senior graduates from college and finds a job paying \$25,000 a =  
year (and has no other income). The student has a total student =  
debt of \$12,000 and is in the 15% federal income tax bracket. The =  
monthly payment for this student's loans is \$148. The total =  
amounts of payments for the first year is \$1,776, over half of =  
which is interest (\$960) which can be deducted under the new law. =  
The student's maximum tax benefit can be calculated by multiplying =  
\$960 by 15%: for a tax savings of \$144.

=

=B7 Going to school while you work

=

The new tax law extends Section 127 of the tax code for three =  
years. Section 127 allows workers to exclude up to \$5,250 of =  
employer-provided education benefits from their income. The =  
assistance must be for undergraduate courses beginning prior to =  
June 1, 2000. This provision will enable many Americans to pursue =  
their goals of lifelong learning. =

.  
=B7 Community service loan forgiveness =

=

This provision excludes from income student loan amounts forgiven =  
by non-profit, tax-exempt charitable or educational institutions =  
for borrowers who take community-service jobs that address unmet =  
community needs. For example, a recent graduate who takes a =

low-paying job in a rural school will not owe any additional =  
income tax if in recognition of this service her college or =  
another charity forgives a loan it made to her to help pay her =  
college costs. This provision applies to loans forgiven after =  
August 5, 1997.

=  
The balanced budget bills signed by President Clinton include many =  
other provisions that will help all of the young people in America =  
grow and learn and help families navigate through these changing =  
times. The new tax law includes a provision to encourage computer =  
donations to schools. The balanced budget agreement protects and =  
advances President Clinton's top domestic priorities, such as =  
expansion of Head Start, and an increase in the maximum Pell =  
grant for college to \$3,000. All of these benefits and tax cuts =  
have one goal: to give parents the support they need to give their =  
children a first class education and hope for the future.

=  
For information on additional student aid programs that will help =  
meet the costs of college and lifelong learning for you, your =  
children and grandchildren, please call 1-800-4FED-AID. For =  
information on the importance of getting ready for college early, =  
especially middle school students, call 1-800-USA-LEARN.

=  
(This is an informational guide produced by the Department of =  
Education; for detailed tax information and instruction please =  
consult your IRS tax forms and publications to see if you =  
qualify.)

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M;VQL96=E\SSW0@`7`(!40`"-]BTP0`..X\$`"7`-V,T`0?`"5!`,`5L(  
MT`8`(\$`A`L)H0#K`8`(!`T(S="0L`P`""L`W<S2`1`(!@`BP%V`+DS  
M`"2`-+2`!`(!@`BP%V`\*L\$`"2`-+2`0X`!P( ["`"+0X`TM(`#@`" `@#L  
M` (L!#@#25&AE@/`@`!/(3U!%@%-C:&]L87)S:&EP!\$`(!T87B`8W)E9&ET  
M@&AE;`!S@&UA:V6`= &AE@&9I<G-T@`1W;X!Y96%R<X!O9H!C;VQL96=E@)QO  
M<H!V;V-A=&EO;F%L@`-C:&]O;(!U;FEV97)S86QL>9N`879A:6QA8FQE+H!3  
M='5D96YT<]W:6QL@)E8V5I=F6`88`Q,#`E@`1A>(!C<F5D:72`9FJR@`1H  
M98!F:7)S=(`D,2PP,##";V:`=5I=&EO;H!A;F2`<F5Q=6ER962`9F5E<X!A  
M;F2`88`U,"6`8W)E9&ET@&]N@`1H98!S96-O;F2`)#L,#`P+H`"5&AI<X!C  
M<F5D:73/:7.`879A:6QA8FQE@&9O<H!T=6ET:6]N@&%N9(!R97%U:7)E9(!F  
M965S@&QE<W.`9W)A;GIS+(!S8VAO;&%R<VAI<`,`L@&%N9(!O=&AE<H!T87@M  
M9G)E98!E9`5C871I;VYA;(!A<W-I<W1A;F-E@&%N9(#4&R`,`A@\$`""@`6`).  
MJP`6`(!`"8""@`F`@:5C@`""`,`U-0;P`"0`("F`@:5`0`F`@`6`("`  
M`%@`"3JL?`-1W:6QL@&)E@&%V86EL86)L9='!%0`""P`)"`#`S@`#`"!(!4`  
MT&9O<H!P87EM96YT<X!M861E@&%F=&5R@\$1E8V5M8F5R@#`Q+(`Q.3DW@&9O  
M<H!C;VQL96=E@&5N<F]L;&UE;G2`869T97\*`= &AA=(!D871E+H`" @`\$`&: &EG  
M:(!S8VAO;VR`<V5N:6]R@&=O:6YG@&EN=&^`:&ES@&]R@&AE<L]F<F5S:&UA  
M;H!Y96%R@&]F@&-O;&QE9V6`:6Z`4V5P=&5M8F5R+(`Q.3DX+(!F;W\*`97AA  
M;7!L92R`8V]U;&2`8F6`96QI9VEB;&6`9FJR@&%S@&UU8VB`87.`88`D,2PU  
M,##""2\$]018!T87B`8W)E9&ET+H#,S)SR`"/+R#/+S#//S`/`,`G%1H:7.;@&-R  
M961I=(!<X!P:&%S962`;W5T@&9O<H!J;VEN=(!F:6QE<G.`=VAO@&AA=F6`  
M8F5T=V5E;H`D.`#L,#`P@&%N9(`D,3`P+`#`P,(!O9H!A9&IU<W1E9(!G<F]S  
M<X!I;F-O;64L@&%N9(!F;W\*`<VEN9VQE@&9I;&5R<]`!%0`""P`)"`\$K#Z`-  
M\$`"!(!4`T`=H;X!H879E@&)E`='E96Z`)#0P+`#`P,(!A;F2`)#4P+`#`P,(!O

M9H!A9&IU<W1E9(!G<FJS<X!;F-O;64N@(!4:&6`8W)E9&ET@&-A;H!B98!C  
M;:&%I;65D@&EN@'1W;X">65A<G.;@&9O<H!S='5D96YT<X!W:&^`87)E@&EN  
MSW1H96ER@&9I<G-T@'1W;X!Y96%R<X!O9H!C;VQL96=E@&]R@'9O8V%T:6JN  
M86R`<V-H;VJL@&%N9(!W:&^`87)E@&5N<FJL;&5D@&]N@&%T@&QE87-T@&&  
M:&%L9BUT:6UE@&)A<VES@&EN@&&'9&5G<F5E@&]R@&-E<G!I9FEC87!ESW!R  
M;V=R86V`9FJR@&%N>8!P;W)T:6JN@&]F@'1H98!Y96%R+H"5&AE@'1A>'!A  
M>65R@&-A;H!C;:&%I;8!A@&-R961I=(!F;W\*:&ES@&]W;H!T=6ET:6JN@&5X  
M<&5N<V6`W\*9FJR@'1H98!E>'!E;G-E<X!O9H!H:7.`;W\*:&5RSW-P;W5S  
M98!O<H!D97!E;F1E;G2`8VAI;&1R96XNS-('\$@`&`@`"+>P`Z`4`!(TM(!  
M\$@`&`@`"+>P`V@4`!(TM(`#@`""@!V(L!#@#2T@\$.``<""8`BP\$.`-\*<  
MS/((\O(,D&`;&6%R<FEE9(!C;W5P;&6`=VET:(!A;H!A9&IU<W1E9(!G<FJS  
M<X!;F-O;66`V;)#8P+`#`P,(!H87.`=O@&-H:6QD<F5N@&EN@&-O;&QE  
M9V6`872`;&5A<W2`:&%L9BUT:6UE\PSS+(!O;F6`872`88!C;VUM=6YI='G0  
M`14`""L`"0"!1Q2\A8`2`5`-!C;VQL96=E@=I=&B`88!T=6ET:6JN@&]F  
M@"0R+`#`P,(!A;F2`=&AE@&]T:&5R@&&&<VJP:&]M;W)E@&%T@&&<')I=F%T  
M98!C;VQL96=E@=I=&B`=5I=&EO;H!O9H`D,3\$L,#`P+H"57-I;F>`=&AE  
M@SA/4\$7/4V-H;VQA<G-H:7"=&%X@&-R961I="R`=&AI<X!C;W5P;&6`=VJU  
M;&2`:&%V98!T:&5I<H!T87AE<X!C=72`8GF`87.`;75C:(!A<X`D,RPP,#`N  
M\PCSU!LC`(8!`@`('`%@"3JL`""%@"0`F`@`(')@(&E9L`""C`-34&Q`AP\$"  
M`@`(')@(&E0\$`@`('`%@"@!8`DZK`P#4T`05`""`+`D`"?L5<!08`\$@%0#0  
MF\S=!!`"@@%1`,`WV+`\$`#`W04+`,`""`+`-W=!A,`@`@%1`('WV+D#`@`  
M\$P#=`\$`P#`""`"\$`PP`X-T""P#`""`P#`=\@SR5&AE@\$QI9F5T:6UE  
M@\$QE87)N:6YG@'1A>(!C<F5D:73S#//="!<`@P%1`('WV+D#`@`\_PX`!<  
MW8S0!!`!4`\$P`!KQ<D%AH`0`\$`ZPFA`.L)@(@`P#0C-T)"P#`""`P#`=  
MS-(!\$@`&`@`"+78`WPP`!(TM('\$@`&`@`"+78`T0P`!(TM(!#@`""@#L  
M'(L!#@#2T@`.``<""P`BP\$.`-):4&ES@'1A>(!C<F5D:72`7.`=&%R9V5T  
M962`=&^`861U;'1S@'=H;X!W86YT@'1O@&=O@&)A8VN`=&^`G`-C:&]O;"R`  
M8VAA;F=E@&-A<F5E<G,L0!\_`O`Q`GX`"8#Q`WX`"9N`"0%\_`O`Q`H`"8#Q  
M`X`"6JRFXT86ME@&&`8VJU<G-E@&]R@'1W;X!T;X!U<&=R861E@'1H96ER  
M@'-K:6QL<\JA;F2`=&^`8VJL;&5G98!J=6YI;W)S+(!S96YI;W)S+(!G<F%D  
M=6%T98!A;F2`<)O9F5S<VEO;F%L@&1E9W)E98"<<W1U9&5N='NFX"08!F  
M86UI;F`=VEL;(!R96-E:79E@&&`,`C`E@'1A>(!C<F5D:72`9FJR@'1H98!F  
M:7)S=,D-2PP,#"";V: '@'1U:71I;VZ`86YD@')E<75I<F5D@&9E97.`<&%I  
M9(!E86-H@'EE87\*`=&AR;W5G:(`R,#`R+(!A;F2`9FJR@'1H98!F:7)S=(`D  
M,3`L,#`P@'1H97)E869T97(N@(!\*=7-T@&QI:V6`=&AE@/'@!/(3U!%SU-C  
M:&]L87)S:&EP!;\$(!T87B`8W)E9&ET+(!T:&6`3&EF971I;66`3&5A<FYI  
M;F>`=&%X@&-R961I=(!I<X!A=F%I;&%B;&6`9FJR@'1U:71I;VZ`86YD@')E  
M<75I<F5D@&9E97.`;&5S<X!G<F%N='L@'-C:&]L87)S:&EP<RR`86YDSVJT  
M:&5R@'1A>"UF<F5E@&5D=6-A=&EO;F%L@&%S<VES=&%N8V4[(@&9A;6EL:65S  
M@&UA>8!C;&%I;8"<=&AE@&-R961I=(!F;W\*;&@&%M;W5N='.`<&%I9(!O;H!O  
M<H!A9G1E<H!\*`6QY@#\$L@#\$Y.3B`9FJR@&-O;&QE9V6`G&]RSW9O8V%T:6JN  
M86R`<V-H;VJL@&5N<FJL;&UE;G2;@&)E9VEN;FEN9X!O;H!O<H!A9G1E<H!\*  
M=6QY@#\$L@#\$Y.3@N@(!4:&6`;&6%X:6UU;8!C<F5D:72`7.`9&5T97)M:6YE  
M9("<;VZ;@&&&<&5R+71A>'!A>65R@"AF86UI;'DISV)A<VES+(!R96=A<F1L  
M97-S@&]F@'1H98!N=6UB97\*`V: '<&]S=(1S96-O;F1A<GF`<W1U9&5N='.`  
M:6Z`=&AE@&9A;6EL>2R`86YD@&ES@'!H87-E9(!O=72`872`=&AE@'-A;66`  
M:6YC;VUE@&QE=F5L<X!A<X!T:&7^"\$SA/4\$6`4V-H;VQA<G-H:7#P`P3P  
M@'1A>(!C<F5D:70N@('1F%M:6QI97.`=VEL;(!B98!A8FQE@'1O@&-L86EM  
M@'1H98!;69E=&EM98!96%R;FEN9X!T87B`8W)E9&ET@&9O<H!S;VUE@&UE  
M;6)E<G.`;V: '@'1H96ERSV9A;6EL>8!A;F2`=&AE@/'@!/(3U!%@%-C:&]L  
M87)S:&EP!;\$(!T87B`8W)E9&ET@&9O<H!O=&AE<G.`=VAO@'U86QI9GF`  
M:6Z`=&AE@'-A;66`>65A<B[,S/(\O((D&`;&]M96UA:V5R\PSS+(!W:&]S  
M98!F86UI;F`:&%S@&%N@&%D:G5S=&5D@&=R;W-S@&EN8VJM98!O9H`D-S`L  
M,#`P+(!W86YT<X!T;X!A='1E;F2`88!G<F%D=6%T98!T96%C:&5R@'1R86EN

M:6YG@!R;V=R86V`872`8='!%0``"P")`"G(5P@)@`!(4`T"!U8FQI8X!U  
M;FEV97)S:71Y@"@D,RPU,##"='5I=&EO;BF`869T97\*`8F5I;F>`;W5T@&JF  
M@&-O;&QE9V6`9FJR@#(P@`EE87)S+H"<57-I;F>`=&AE@SQI9F5T:6UE@\$QE  
M87)N:6YG@&-R961I="R`:&5RFX!F86UI;'GP`3P<X!;F-O;67/= &%X97.`  
M=VJU;&2`8F6`8W5T@&)Y@&%S@&UU8VB`87.`)#<P,"[S"/0!!4``L`"0!  
MFR,0(B@`2`5`-#,@CR08!M87)R:65D@&-O=7!L98!H87.`86Z`861J=7-T  
M962`9W)O<W.`:6YC;VUE@&JF@`0S,BPP,#`N@(!4:&6`5S8F%N9(!W:&^  
M:7.`=VJR:VEN9X!A<X!A;H#R#/)A=71O;6JB:6QE@&UE8VAA;FEC\PSS@&1E  
M8VED97.`=&\_0`14``L`"0`!3R7\$(RH`2`5`-!G;X!B86-K@`!O@&&`;&]C  
M86R`=&5C:&YI8V%L@&-O;&QE9V6`=&^=&%K98!S;VUE@&-O;7!U=&5R@&-L  
M87-S97.`:6Z`=&AE@&AO<&6`V:9V5T=&EN9X!A@&)E=1E<H!J;V(N@(!  
M98!W:6QL@`!A>8!A@`!U:71I;VZ`V;/)#\$L,C`P+H""@%5S:6YG@`!H98!,  
M:69E=&EM98!,96%R;FEN9X!C<F5D:70L@`!H:7`9F%M:6QY@`=O=6QD@&AA  
M=F6`=&AE:7\*`=&%X97.`8W5T@&)Y@&%S@&UU8VB`87.`)#(T,"[S"/0!!4`  
M`L`"0`!`R=X)2P`2`5`-#2`!(!@(`BP`L,D/``2`-+2`!(!@(`BP`L  
M`+L/``2`-+2`X`!P(`=@`+0X`TM(!#@`" @`!V`L!#@#2S-T\$S`""`5\$`  
M`P#?8O`0`-W=!0L`P`"``L`W=T&\$P`""`5\$`"@#?8N<7``3`-WP`3PX#`,  
M`""(0##`#@W0<+`,`""`-WR#/)087)E;G1S@&%N9(!G<F%N9!A<F5N  
M=`.8V%N@&-R96%T98!E9`5C871I;VZ`25)!<X!A;F2`6%K9?.,\X#R#/)P  
M96YA;1Y+69R966`=VET:&1R87=A;.`9G)O;8!O=&AE<H!)4D%S\PSSW0@7  
M`(.140``-]BYQ<``(8``7`-V,T`0?``5`!`,`;<H+<N`"\$A`.L)H0#  
MK"8"(!`T(S="0L`P`"``L`W<S2`!(!@(`BP%V`-@7``2`-+2`!(!@(`  
MBP%V`,H7``2`-+2`0X`!P(`["`+0X`TM(`#@`" @`#L`L!#@#20F5G:6YN  
M:6YG@\$IA;G5A<GF`,2R`,3DY."R`=&%X<&%Y97)S@&UA>8!W:71H9')A=X!F  
M=6YD<X!F<FJM@&%N@SE202R`=VET:&JU=(!P96YA;1Y+(!F;W\*`=&AE:7\*`  
M;W=N@&A19VAE<H!E9`5C871I;V[/97AP96YS97.`;W\*`=&AO<V6`V:.`=&AE  
M:7\*`<W!O=7-E+(!C:&EL9`R`;W\*`979E;H!G<F%N9&-H:6QD+H!);H!A9&1I  
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M87F`9&5P;W-I=(`D-3`PSW!E<H!Y96%R@&EN=&^86Z`161U8V%T:6JN@\$E2  
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M>&5S@`=I;&R`8F7/9`5E@`5P;VZ`=VET:&1R87=A;(!I9H!T:&6`;6JN97F`  
M:7.`=7-E9(!T;X!P87F`9FJR@`!O<W0M<V5C;VYD87)Y@`!U:71I;VZ`86YD  
M@(!R97%U:7)E9(!F965S@`AL97-S@&=R86YT<RR`<V-H;VQA<G-H:7!S+(!A  
M;F2`;W1H97+/= &%X+69R966`961U8V%T:6JN86R`87-S:7-T86YC92DL@(!B  
M;V]K<RR`97%U:7!M96YT+(!A;F2`96QI9VEB;&6`<FJO;8!A;F2`8FJA<F2`  
M97AP96YS97,N@(!;F-E@`!H98!C:&EL9(!R96%C:&5S@&%G98`S,"R`:&ES  
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M9F5R<F5D@`!O@&&`>6JU;F=E<H!M96UB97\*`;V:.`=&AE@&9A;6EL>2[,G/\$"  
MB`+QS/\$#B`+QFJ`&%0``"P")`"%A,-8N-P`!(4`T\$&`=&%X<&%Y97+P`3P  
M<X!A8FEL:71Y@`!O@&-O;G1R:6)U=&6`=&^86Z`161U8V%T:6JN@\$E208!I  
M<X!P:&%S962`;W5T@`=H96Z`=&AE@`!A>!A>65R@&ES@&&`.F]I;G2`9FEL  
M97\*`=VET:(!A;H!A9&IU<W1E9(!G<FJS<]I;F-O;66`8F5T=V5E;H`D,34P  
M+`#`P,(!A;F2`)#\$V,"PP,#`L@&JR@&&`<VEN9VQE@&9I;&5R@`=I=&B`86Z`  
M861J=7-T962`9W)O<W.`:6YC;VUE@&)E=`E96Z`)#DU+`#`P,(!A;F2`)#\$Q  
M,"PP,#`N@(!4:&5R9<JA<F6`88!F97>`<F5S=)I8W1I;VYS+H""08!S=5D  
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M:7-T<FEB=71I;VYS@&9R;VV`86Z`161U8V%T:6JN@\$E208!M87F`;FJT+(!I  
M;H!T:&7/<V%M98!Y96%R+(!B96YE9FET@&9R;VV`=&AE@`/ @`!/(3U!%@%<C  
M:&]L87)S:&EP!\$!(O<H!;69E=&EM98!,96%R;FEN9X!T87B`8W)E9&ET  
M<R[,T@`2`8""(L!["`6&0``\$@#2T@`\$2`8""(L!["`(&0``\$@#2T@`.``<"  
M`8`BP\$.`-+2`0X`!P(`=@`+0X`TLS=!!``@`@%1```,`WV+`\_`\$`#`=W04+```,`  
M```+`-W=!A`,`@`@%1``(`WV(M@```\$P#`=\`\$`.P#`""""`\$`PP`X-T""P`#  
M`""""P#`=\@SR1W)E871E<H!F;&5X:6)I;&ET>8!F;W\*`9F%M:6QI97.`<V%V

M:6YG@&EN@%U86QI9FEE9(!3=&%T98!T=6ET:6JN@'!L86YS@(#S#//="!<  
M@P%1'('WV(M@`2!X'!<W8S0!!!'4'\$P'!S05"!4`0\*\$'ZPFA`.L  
M)@(@P#0C-T)"P'#`""P#S-(!\$@`&`@`"+78'AX'!(TM('\$@`&`@`"+  
M'78'\$!X'!(TM(!#@`" @#L(L!#@#2T@.`'<"-\$BP\$.)-7:&5N@&&  
M9F%M:6QY@'5S97.`88!Q=6%L:69I962`4W1A=&4M<W!O;G-O<F5D@'1U:71I  
M;VZ`<&QA;H!T;X!S879E@&9O<H!C;VQL96=E+("<F^`=&%X@&ES@&1U98#Q  
M`H\$`"6EN@&-O;FYE8W1I;VZ`=VET:(!T:&6`<&QA;H#Q`X\$`"75N=&ELFX!T  
M:~7/=EM98!O9H!W:71H9')A=V%L@&%S@&&`<F5S=6QT@&JF@&&`;&%W@'!A  
M<W-E9(!L87-T@'EE87(N@(!4:&ES@'EE87+P"3P<X"<8VAA;F=E@&EN@&QA  
M=YN`86QL;W=S@&9A;6EL:65S@'1O@'5S98!T:&5S98!P;&%N<X!T;X!S879E  
M@&YO=,JO;FQY@&9O<H!T=6ET:6JN@&)U=(!A;'-O@&9O<H!C97)T86EN@')O  
M;VV`86YD@&)O87)D@&5X<&5N<V5S@&9O<H!S='5D96YT<X!W:&^`871T96YD  
M@&JN@&%T@&QE87-T@&&`;&%L9BUT:6UE@&)A<VES+H"5'5I=&EO;H!A;F3/  
M<F5Q=6ER962`9F5E<X!P86ED@'=I=&B`=VET:&1R87=A;.`9G)O;8"<88!Q  
M=6%L:69I962`4W1A=&6`=5I=&EO;H!P;&%N@&%R99N`96QI9VEB;&6`9FJR  
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M3&EF971I;66`3&5A<FYI;F>`=&%X@&-R961I="Z`@%1H97-E@&)E;F5F:71S  
M@&%R98!A=F%I;&%B;&6`VZ`2F%N=6%R>8`Q+(`Q.3DX+LS2'!(!@('BP1  
M`#P?`2`-+2`1(!@('BP'L`"X?`2`-+2`X'!P('"+0X`TM(!#@`"  
M`@!V'(L!#@#2S-T\$`""5\$`P#?8O0`-W=!0L`P`""L`W=T&\$P`""5\$`  
M`@#?8OXA`3`-WP`3PX#`,`""(0##`#@W0<+`,`""+`-WR#/)087EI  
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M`5\$`"@#?8OXA`9(@`"P#C-`\$P`"0`3`&=#!(+0`!`H0#K":\$ZPF  
M`B`?`-`W0D+`,`""+`-W,T@\$2`8""(L!=@#O(0`\$@#2T@`2`8""(L!  
M['#A(0`\$@#2T@.\$`'<"8BP\$.`-+2`X'!P('"+0X`TD9O<H!M86YY  
M@&-O;&QE9V6`9W)A9`5A=&5S+(!O;F6`V:='&AE:7\*`9FER<W2`9FEN86YC  
M:6%L@&JB;&EG871I;VYS@&ES@'1O@')E<&%Y@'1H96ER@'-T=61E;G2`;&JA  
M;G,L@'=H:6-H@&%V97)A9V6`86)O=72`)#S\$+4P,,JP97\*`<W1U9&5N="Z`  
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M`-+2`X'P('["'+0X'TM(!#@``@!V'(L!#@#2S-(!\$@`&`@`'+78`73(  
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end

===== 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 <01INXOALP00000FF5B@PMDF.EOP.GOV>; Mon, 22 Sep 1997 07:25:42 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INXOAETPLS00FOQ0@PMDF.EOP.GOV>; Mon,

22 Sep 1997 07:25:35 -0400 (EDT)

Received: from vader.ed.gov ([165.224.216.253])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with ESMTP id <01INXO9TMS36005PAR@STORM.EOP.GOV>; Mon,  
22 Sep 1997 07:25:04 -0400 (EDT)

Received: from smtpgwyl.ed.gov (smtpgwyl.ed.gov [165.224.216.37])

by vader.ed.gov (8.8.5/8.8.4) with SMTP id HAA04857; Mon,  
22 Sep 1997 07:22:32 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov

(IMA Internet Exchange 2.11 Enterprise) id 00035022; Mon,  
22 Sep 1997 07:24:48 -0400

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:23-SEP-1997 17:29:21.00

SUBJECT: Meeting with H & S Dem staff on L/HHS/ED

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

READ:UNKNOWN

TO: Larry R. Matlack ( CN=Larry R. Matlack/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

TO: Keith J. Fontenot ( CN=Keith J. Fontenot/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

TO: Kenneth S. Apfel ( CN=Kenneth S. Apfel/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Michael Cohen ( CN=Michael Cohen/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

What follows is a somewhat lengthy report on this afternoon's meeting. It ended with no specific follow up plan.

Attending: House minority staff: Mark Mioduski, Cheryl Smith, and Scott Lillery (most of the time); Senate minority: Marsha Simon (not previously announced as attending, but she did); OMB: Keiffer, White; WH/LA: Barbara Chow.

Barbara Chow reported to me before the session that at this morning's OMB/NEC/DPC/LA meeting, the sentiment was for taking hard lines on the bill, which presumably is why Barbara did not choose to offer any of the compromise options we worked on yesterday. This did not make us look very forthcoming.

We went in the order of the Lew List (as does this note), but most of the time was spent on Pell and America Reads. Feel free to call me with any questions. See a couple of questions for you.

BCs: your agencies will surely hear of this, so don't deny it, and try to defuse any misreporting of what happened.

Goals. Both Marsha and Cheryl repeatedly made clear that there is little member interest, R or D, in increasing funding for Goals. Both believe

that the Senate level, \$530 m, is the upper bound, and a stretch. Cheryl was especially negative on Goals, and said that they would try to get money for Obey's approach and that we could claim credit for advancing reform with that. We discussed some the difference between Obey and Goals, but I was very tactful and didn't speak my mind. Marsha noted that conservatives still have to be reckoned with, particularly in the House, and they don't want Goals increased.

Pell. Marsha opened the discussion by telling all that Tom Skelly says that with the new estimates, and thus the smaller surplus/larger shortfall, if the shortfall in February is any more than \$100 million, the Secretary would have to consider adjusting the award schedule to cut awards below \$3,000. I was flabbergasted by this and said that while that might be an option under consideration in ED, I was not aware of any such policy decision. I then went through the surplus/deficit estimating spiel and said that a few hundred million did not seem to me to be a reason to imperil the \$3,000 max. Bob: if you are having conversations like this with Education, I need to know. You might call Marsha to reinforce the point that there is no plan afoot to go below \$3,000.

Wayne: please call Tom and see what he says he said. He usually says that Marsha's reports of his statements are not accurate.

Marsha noted that the Senate might be willing to add a few hundred million to the Pell number, without specifying purpose, which would be available to reduce any shortfall, or for paying for some kind of IPA change, if the Congress passes one in time.

It seems there is active talk among the authorizers about doing something like Clay, tailored to fit the available money, possibly this session, separate from HEA. How much is available won't be determined for a while yet, but Mioduski is thinking along the lines of maybe \$350 m (half our increase).

Both sides said that unless the Administration can get some expressions of support from the authorizers, their committees aren't going to force this policy on the authorizers.

Cheryl did say that Obey supports doing something for independents (he has some in his district). Marsha says Craig Higgins is against doing the authorization, given authorizer objection.

Marsha says no Senate Democrats are pressing for this policy. Democrats remember the 1992 reauthorization as "tightening up" on abuses by independents in proprietary schools and don't want to reverse policy now.

Bob: lots of work to do here if we want this one, without regard to the money aspect.

America Reads. Chow said we need to get something here in 1998, under current law if necessary. Cheryl objected strongly, saying America Reads is too complicated to do under current law. Scott Lilley said we said we needed an authorization when we sent this up, so they would look like they

are pulling the rug out from under Goodling if they passed the program under current authorities. He says that isn't a good thing and not likely they would want to try it (they might, he says, if they had 218 Democratic votes, but all agreed that they don't).

Cheryl says she has asked Education to get her an explanation of how they could run under current law, but has received nothing. I explained what I knew from yesterday's discussions, offering the four authorities or the title I demo. Cheryl attacked again, saying that if we need four authorities, the program is so complex it is beyond the bounds of credibility to do it in the appropriation bill. I repeated that title I demo would do it, but she would not relent.

I also argued for the virtue of getting some effort underway in 1998 so as to be ready for full bore activity in 1999.

Cheryl's only give was to say that if we could single out one component of AR and one authority that unquestionably would be suitable, maybe a little money could be found for start up. Scott supported this notion, too. Mark also said that with some money already in CNCS for tutoring projects, and Wofford all over the Hill touting how he doesn't need any more authority and is doing lots of projects, they can't see why they need education money. I made the old case for the need for the two in tandem, but since I don't know the state of play on the negotiations with Goodling, I didn't go too far on this.

Both Marsha and Cheryl stated firmly that they are getting no interest group pressure for America Reads. The traditional lobbyists want the money in the traditional programs.

Bob: It would be good to get Education to get Cheryl a crisp piece on how AR can be done under current authorities (without any specific numbers), just to close the credibility gap. If you don't want to for tactical reasons given the negotiations, that's okay by me, just let me know, or call Cheryl.

Special ed. This was a side discussion raised by Barbara at this point to see "what appetite" there may be for nicking the special ed number to make room for other things. Scott said Obey and Porter would do it, but the Senate is the issue. Marsha said that actually it is Lott, more than Harkin, who is the issue here.

Marsha also reported that when Domenici told Spector that his bill met all the terms of the BBA, all pressure went off for cutting some things to fund Administration priorities.

Mark also noted that there is little interest in cutting into the higher levels for NIH.

Other items on the spending list. Each was mentioned but only to note our interest; there was no serious discussion of any of them. We did not get outside Education to YOA or welfare research.

Welfare to Work admin and WTW Evaluation. Marsha said she wasn't sure

that there would be any more than the \$4 m; Finance is still upset the program went to Labor; the justification by DOL is simply not good enough. She also said she is looking at cutting into the mandatory funding for the WTW evaluation and the "chastity" evaluation to find the money for admin. She thinks the evaluations are wildly overfunded -- which they surely are, but I didn't tell her that.

Riggs on prisoners and IDEA. Scott asks that we should add that to the conference letter so they can be sure it drops out.

The "money store" and other finance company ripoffs of student loans. Both Marsha and Cheryl say these are democratic proposals so unless someone up there opposes them, they will stay in.

Student loan interest change. Marsha says Kennedy staff is advocating a 3 month delay for bank "transition." So is Spector and Sen. Tim Johnson. This is a saver for them if they enact it. Mark says the student group backlash would be severe so he is opposed. I said that adding costs to students was directly counter to Administration policy.

A pay-for from GA reserves?. Mark asked me what I thought about taking more GA reserves to generate some money for the committee. I said it would be hard for us to propose, having just agreed to the distant \$1 billion, but that on the merits, nobody could credibly argue that there isn't more there, or that accelerating some of the recapture to FY 1998 would hurt anything. He is mulling this. It is 100% outlay, so very attractive.

Construction. Marsha said that for Harkin, the highest priority in the whole bill is his \$100 million for construction (the resuscitation of the old Mosely-Braun thing) and that she was disappointed that the Administration hadn't come out in favor of it. Lilley opined that in the end, meaning in a multi-bill omnibus appropriation, he expects there to be a multi-billion dollar construction thing, like the Administration's proposal, on the mandatory side, offset somehow. Marsha said that if so, they could give up their \$100 m.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:24-SEP-1997 22:02:32.00

SUBJECT: Taxpayer Relief Act Gotcha

TO: Charles R. Marr ( CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Catherine.Livingston ( Catherine.Livingston @ MS01.do.treas.sprint.com @ inet [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

This is from the financial aid officers' listserve. Chuck, that Q&A for Friday is critical. (Cathy, POTUS is going to a Houston community college on Friday and will talk about the benefits of HOPE and Pell).

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/24/97

10:01 PM -----

ElmendorfE @ aascu.nche.edu

09/24/97 08:43:00 PM

Record Type: Record

To: Robert M. Shireman

cc:

Subject: Taxpayer Relief Act Gotcha

> -----

> From: Mark Kantrowitz[SMTP:MKANT@FINAID.ORG]

> Sent: Wednesday, September 24, 1997 8:43:28 PM

> To: FINAID-L@lists.psu.edu

> Subject: Taxpayer Relief Act Gotcha

> Auto forwarded by a Rule

>

The Washington Post had a recent article about another hidden problem with the Taxpayer Relief Act of 1997. Since I didn't see any discussion of this on this list, here's a quick summary.

Most taxpayers assume that the Alternative Minimum Tax is just for the rich. But the tax credits and deductions of the TRA are large enough that middle income families might be subject to the AMT. This has two implications:

1. The TRA financial aid provisions are less generous than they seem.

In fact, despite their being advertised as helping middle income families, they don't do as good a job of this as claimed. Curiously, Congress was aware of this when they passed the legislation.

2. Many families are going to overlook the AMT, file their tax returns, and then get a nasty letter from the IRS indicating that they should have paid tax based on the AMT, and including a bill for the extra tax obligation.

There is apparently a meeting tomorrow in DC with the IRS to discuss the TRA's implementation. Perhaps this will be addressed at that meeting.

In any event, FAAs should be prepared to warn families about the AMT if the TRA regulations do not eliminate this gotcha.

Mark

-----  
Mark Kantrowitz, Publisher      FinAid Page, Inc.  
The Financial Aid Information Page    PO Box 81620, Pittsburgh, PA 15217  
<http://www.finaid.org>      1-412-422-6189 (fax)  
<mailto:mkant@finaid.org>      1-412-422-6190 (voice)

-----  
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 <011O1AKQ8IKW00J78Q@PMDf.EOP.GOV> for shireman\_r@a1.eop.gov; Wed,  
24 Sep 1997 21:36:09 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)  
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <011O1AKN5LIO00H27I@PMDf.EOP.GOV> for  
shireman\_r@a1.eop.gov; Wed, 24 Sep 1997 21:36:06 -0400 (EDT)

Received: from ptah.aascu.nche.edu ([205.128.140.10])  
by STORM.EOP.GOV (PMDF V5.1-7 #6879)  
with ESMTP id <011O1AKA31IU005UTL@STORM.EOP.GOV> for shireman\_r@a1.eop.gov;  
Wed, 24 Sep 1997 21:35:47 -0400 (EDT)

Received: by aascu.nche.edu with Internet Mail Service (5.0.1458.49)  
id <TGFSR77R>; Wed, 24 Sep 1997 21:35:25 -0400

Received: from psuvm.psu.edu by ptah.aascu.nche.edu with SMTP  
(Microsoft Exchange Internet Mail Service Version 5.0.1458.49)  
id TGFSR77P; Wed, 24 Sep 1997 21:35:05 -0400

Received: from PSUVM.PSU.EDU by lists.psu.edu (IBM VM SMTP V2R2)  
with BSMTP id 7339; Wed, 24 Sep 1997 20:47:52 -0400 (EDT)

Received: from LISTS.PSU.EDU (NJE origin LISTSERV@PSUVM)  
by PSUVM.PSU.EDU (LMail V1.2c/1.8c) with BSMTP id 5682; Wed,  
24 Sep 1997 20:47:51 -0400

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:24-SEP-1997 23:05:43.00

SUBJECT: Re: TX impact sheet

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

READ:UNKNOWN

TEXT:

Did you see Pauline's comments? Reax?

----- Forwarded by William R. Kincaid/OPD/EOP on 09/24/97  
11:05 PM -----

Pauline\_Abernathy @ ed.gov

09/24/97 09:09:00 PM

Record Type: Record

To: William R. Kincaid

cc:

Subject: Re: TX impact sheet

I cannot join the conference call so here are a few comments.

TEXAS COMMUNITY COLLEGE STUDENTS TO RECEIVE TUITION [DISCOUNTS]  
OF UP TO 100 PERCENT UNDER PRESIDENT'S NEW HOPE SCHOLARSHIP

Possible alt: "to see their tuition cut up to 100%..."

Discounts sound to me like it is the college, not us, doing it.

"We must make the 13th and 14th years of education \_\_ at least two  
years of college \_\_ just as universal in America by the 21st century

as

a high school education is today, and we must open the doors of  
college to Americans."

\_ President Clinton

State of the Union Address, 1997

The HOPE Scholarship signed into law by President Clinton as part of  
the balanced budget [established by the Taxpayers Relief Act],  
together with the President's proposed Pell Grant increases, ensures  
that the first two years of a [community?] college education will be  
well within reach of any Texas student willing to work for it. And  
with the new Lifetime Learning Tax Credit, students can continue

their

education or return to school later in life to increase their  
knowledge and skills for the 21st century economy.

In 1998-99, an estimated 387,000 Texas students will be eligible to?

receive a HOPE scholarship tax credit to help pay for the first two years of college. Specifically, for a Texas community college student,

the average tuition and fees is estimated to equal \$840, making the HOPE scholarship amount worth up to a 100% discount for families with a joint income between \$80,000 and \$100,000. [reword -- this last sentence is hard to follow. Also, should we explain how HOPE works? 100% of first 1000 and 50% on next 1000]

An additional 473,000 Texas students are expected to take advantage of

the 20% tax credit for lifetime learning up to the first \$5,000 in tuition through the year 2002 and up to \$10,000 after 2002.

Altogether, some 860,000 Texas students from working and middle class families are expected to take advantage of these two new provisions, saving them \$607 million for postsecondary education in FY 1999. Do the dollars and numbers of people match up? Are they for the same year? Dan?

In addition to the tax benefits, approximately 270,000 Texas students with limited means will receive an estimated \$510 million in Pell Grants in 1998-99. What about independent student expansion???

860,000 Texas Students to Benefit from President's Education Tax Credits [Cuts] for College

---

Reply Separator

---

Subject: TX impact sheet  
Author: Jill Riemer at WDCB01  
Date: 9/24/97 8:35 PM

This is what we have come up with at this point. Take a look at it and we can talk about it in tomorrow's conference call.

Bill, Terry and I felt that the Pell numbers at the end of your first draft -- ("Of those, 117,900 Texas cc students will receive awards equaling \$1,780 on average") -- could possibly send a mix message to folks saying that the average Pell is \$1,780 even though the avg. cc tuition is \$840 -- looks like a windfall. Maybe there is another way to approach using this number, but that was our initial sense.

Jill

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 <01IO19VT8H680094F4@PMDf.EOP.GOV> for kincaid\_w@a1.eop.gov; Wed,  
24 Sep 1997 21:16:50 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)  
by PMDF.EOP.GOV (PMDf V5.0-4 #6879) id <01IO19VSD4OW00HVP6@PMDf.EOP.GOV> for  
kincaid\_w@a1.eop.gov; Wed, 24 Sep 1997 21:16:49 -0400 (EDT)

Received: from vader.ed.gov ([165.224.216.253])  
by STORM.EOP.GOV (PMDf V5.1-7 #6879)  
with ESMTP id <01IO19V3WTOM005UTL@STORM.EOP.GOV> for kincaid\_w@a1.eop.gov;  
Wed, 24 Sep 1997 21:16:17 -0400 (EDT)

Received: from smtpgwyl.ed.gov (smtpgwyl.ed.gov [165.224.216.37])  
by vader.ed.gov (8.8.5/8.8.4) with SMTP id VAA19994 for  
<kincaid\_w@a1.eop.gov>; Wed, 24 Sep 1997 21:13:33 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov  
(IMA Internet Exchange 2.11 Enterprise) id 0003A57C; Wed,  
24 Sep 1997 21:16:16 -0400

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:24-SEP-1997 14:16:55.00

SUBJECT: Outline for State-by-States

TO: Maureen\_McLaughlin ( Maureen\_McLaughlin @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TO: Jill\_Rierner ( Jill\_Rierner @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

CC: David\_Bergeron ( David\_Bergeron @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TEXT:  
Jill--

Attached and beliew is an outline for the mock-up state by state for this afternoon. I'll also fax and call you about this.

Maureen--

Please review to see if this looks ok to you.

Thanks.

[Outline for State by State sheets]

TEXAS COMMUNITY COLLEGE STUDENTS WILL RECEIVE TUITION DISCOUNT OF UP TO 100% UNDER PRESIDENT ,S NEW HOPE SCHOLARSHIP

[box] We must make the 13th and 14th years of education -- at least two years of college -- just as universal in America by the 21st century as a high school education is today, and we must open the doors of college to Americans.-- President Bill Clinton, State of the Union Address, 1997

The HOPE Scholarship established by the Taxpayers Relief Act, together with proposed Pell Grant increases, ensure that a 13th and 14th year of education will be well within reach of any Texas student willing to work for it. And with the new Lifetime Learning Tax Credit, students can continue their education or return to school later in life to increase their knowledge and skills for the 21st Century economy.

In 1998-99, an estimated 387,000 Texas students will receive a HOPE scholarship tax credit to help pay for the first two years of college. For a Texas community college student, the average tuition and fees are \$840 annually, making the HOPE scholarship amount worth up to a 100% discount.

An additional 473,000 Texas students are expected to take advantage of the

20% tax credit for lifetime learning. Altogether, some 860,000 Texas students are expected to take advantage of these new provisions, saving \$607 million for postsecondary education.

In addition to the tax benefits, approximately 270,000 Texas students will receive an estimated 510 million in Pell Grants. Of those, 117,900 Texas community college students will receive an average of award of \$1,780.

Federal Pell Grants and tax benefits are supplemented by assistance provided by the state.

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D82]MAIL44212566G.216 to ASCII,  
The following is a HEX DUMP:

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

[Outline for State by State sheets]

## TEXAS COMMUNITY COLLEGE STUDENTS WILL RECEIVE TUITION DISCOUNT OF UP TO 100% UNDER PRESIDENT'S NEW HOPE SCHOLARSHIP

[box] We must make the 13th and 14th years of education -- at least two years of college -- just as universal in America by the 21st century as a high school education is today, and we must open the doors of college to Americans.-- President Bill Clinton, State of the Union Address, 1997

The HOPE Scholarship established by the Taxpayers Relief Act, together with proposed Pell Grant increases, ensure that a 13th and 14th year of education will be well within reach of any Texas student willing to work for it. And with the new Lifetime Learning Tax Credit, students can continue their education or return to school later in life to increase their knowledge and skills for the 21st Century economy.

In 1998-99, an estimated 387,000 Texas students will receive a HOPE scholarship tax credit to help pay for the first two years of college. For a Texas community college student, the average tuition and fees are \$840 annually, making the HOPE scholarship amount worth up to a 100% discount.

An additional 473,000 Texas students are expected to take advantage of the 20% tax credit for lifetime learning. Altogether, some 860,000 Texas students are expected to take advantage of these new provisions, saving \$607 million for postsecondary education.

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Federal Pell Grants and tax benefits are supplemented by assistance provided by the state.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:25-SEP-1997 17:00:51.00

SUBJECT: According to Thomas, there's no "s"

TO: James\_Zook ( James\_Zook @ ed.gov @ inet [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

----- Forwarded by William R. Kincaid/OPD/EOP on 09/25/97  
05:00 PM -----

Robert M. Shireman  
09/25/97 04:47:06 PM  
Record Type: Record

To: William R. Kincaid/OPD/EOP  
cc: jill\_reimer @ ed.gov @ inet  
Subject: According to Thomas, there's no "s"

SHORT TITLE(S) AS ENACTED:

Taxpayer Relief Act of 1997

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:25-SEP-1997 01:47:48.00

SUBJECT: [final] Families' Guide to Tax Cuts for Education

TO: Sonyia Matthews ( CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

You translated this into a file called family4. Can you send that file  
(or translate again) and send it to Bill and to me?

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/25/97  
01:46 AM -----

Pauline\_Abernathy @ ed.gov

09/21/97 08:36:00 PM

Record Type: Record

To: Robert M. Shireman, William R. Kincaid

cc:

Subject: [final] Families' Guide to Tax Cuts for Education

=

FYI. Final Families Guide attached. I have also put it in the t=  
ext =

below.

\_\_\_\_ Forward Header \_\_\_\_\_ =

Subject: [final] Families' Guide to Tax Cuts for Education

Author: Jill Riemer at WDCB01

Date: 9/17/97 3:55 PM

Last night, after a lot of back and forth, DoED and Treasury reached=  
a =

final agreement on the two-page Families' Guide. A lot of effort on=  
=

all sides was put into making this document something that both =

agencies can live with comfortably.

=

Kirk Winters will soon be placing this guide on our web page and =

mentioning it in ED INFO and ED INITIATIVES. Kevin and others will =

be putting some thought towards creating a brochure-like piece for =

the guide in the new fiscal year.

=

Please notify the appropriate parties that this is the official =

version to be used from this point forward. Thank you -- Jill

=

=

#### FAMILIES' GUIDE TO THE 1997 TAX CUTS FOR EDUCATION

=

Many new tax benefits for adults who want to return to school and =

for parents who are sending or planning to send their children to =

college will be available due to the balanced budget signed into =

law in August, 1997. These tax cuts effectively make the first =

two years of college universally available, and they will give =

many more working Americans the financial means to go back to =

school if they want to choose a new career or upgrade their =

skills. When fully phased in, 12.9 million students are expected =

to benefit -- 5.8 million under the "HOPE Scholarship" tax credit, =

and 7.1 million under the Lifetime Learning tax credit.

=

=B7 Up to a \$1,500 "HOPE Scholarship" tax credit for students =

starting college

=

The "HOPE Scholarship" tax credit helps make the first two years =

of college or vocational school universally available. Students =

will receive a 100% tax credit for the first \$1,000 of tuition and =

required fees and a 50% credit on the second \$1,000. This credit =  
is available for tuition and required fees less grants, =  
scholarships, and other tax-free educational assistance and will =  
be available for payments made after December 31, 1997 for college =  
enrollment after that date. A high school senior going into his =  
or her freshman year of college in September, 1998, for example, =  
could be eligible for as much as a \$1,500 HOPE tax credit. =

=

This credit is phased out for joint filers who have between =  
\$80,000 and \$100,000 of adjusted gross income, and for single =  
filers who have between \$40,000 and \$50,000 of adjusted gross =  
income. The credit can be claimed in two years for students who =  
are in their first two years of college or vocational school and =  
who are enrolled on at least a half-time basis in a degree or =  
certificate program for any portion of the year. The taxpayer can =  
claim a credit for his own tuition expense or for the expenses of =  
his or her spouse or dependent children.

=

A married couple with an adjusted gross income of \$60,000 has two =  
children in college at least half-time, one at a community college =  
with a tuition of \$2,000 and the other a sophomore at a private =  
college with tuition of \$11,000. Using the HOPE Scholarship tax =  
credit, this couple would have their taxes cut by as much as =  
\$3,000.

=

=B7 The Lifetime Learning tax credit

=

This tax credit is targeted to adults who want to go back to =

school, change careers, or take a course or two to upgrade their =  
skills and to college juniors, seniors, graduate and professional =  
degree students. A family will receive a 20% tax credit for the =  
first \$5,000 of tuition and required fees paid each year through =  
2002, and for the first \$10,000 thereafter. Just like the "HOPE =  
Scholarship" tax credit, the Lifetime Learning tax credit is =  
available for tuition and required fees less grants, scholarships, =  
and other tax-free educational assistance; families may claim the =  
credit for amounts paid on or after July 1, 1998 for college or =  
vocational school enrollment beginning on or after July 1, 1998. =  
The maximum credit is determined on a per-taxpayer (family) basis, =  
regardless of the number of post-secondary students in the family, =  
and is phased out at the same income levels as the "HOPE =  
Scholarship" tax credit. Families will be able to claim the =  
Lifetime Learning tax credit for some members of their family and =  
the "HOPE Scholarship" tax credit for others who qualify in the =  
same year.  
=

A homemaker, whose family has an adjusted gross income of \$70,000, =  
wants to attend a graduate teacher training program at a public =  
university (\$3,500 tuition) after being out of college for 20 =  
years. Using the Lifetime Learning credit, her family's income =  
taxes would be cut by as much as \$700.  
=

A married couple has an adjusted gross income of \$32,000. The =  
husband who is working as an automobile mechanic decides to go =  
back to a local technical college to take some computer classes in =  
the hope of getting a better job. He will pay a tuition of =

\$1,200. Using the Lifetime Learning credit, this family would =  
have their taxes cut by as much as \$240.  
=

=B7 Parents and grandparents can create education IRAs and make =  
penalty-free withdrawals from other IRAs  
=

Beginning January 1, 1998, taxpayers may withdraw funds from an =  
IRA, without penalty, for their own higher education expenses or =  
those of their spouse, child, or even grandchild. In addition, for =  
each child under age 18, families may deposit \$500 per year into =  
an Education IRA in the child's name. Earnings in the Education =  
IRA will accumulate tax-free and no taxes will be due upon =  
withdrawal if the money is used to pay for post-secondary tuition =  
and required fees (less grants, scholarships, and other tax-free =  
educational assistance), books, equipment, and eligible room and =  
board expenses. Once the child reaches age 30, his or her =  
Education IRA must be closed or transferred to a younger member of =  
the family.  
=  
=

A taxpayer's ability to contribute to an Education IRA is phased =  
out when the taxpayer is a joint filer with an adjusted gross =  
income between \$150,000 and \$160,000, or a single filer with an =  
adjusted gross income between \$95,000 and \$110,000. There are a =  
few restrictions. A student, for example, who receives the =  
tax-free distributions from an Education IRA may not, in the same =  
year, benefit from the "HOPE Scholarship" or Lifetime Learning tax =  
credits.  
=

=B7 Greater flexibility for families saving in qualified State =  
tuition plans =  
=

When a family uses a qualified State-sponsored tuition plan to =  
save for college, no tax is due in connection with the plan until =  
the time of withdrawal as a result of a law passed last year. =  
This year's change in law allows families to use these plans to =  
save not only for tuition but also for certain room and board =  
expenses for students who attend on at least a half-time basis. =  
Tuition and required fees paid with withdrawals from a qualified =  
State tuition plan are eligible for the "HOPE Scholarship" tax =  
credit and Lifetime Learning tax credit. These benefits are =  
available on January 1, 1998.  
=

=B7 Paying back student loans at a lower cost  
=

For many college graduates, one of their first financial =  
obligations is to repay their student loans, which average about =  
\$13,500 per student. The new student loan interest deduction will =  
reduce the burden of the repayment obligation by allowing students =  
or their families to take a tax deduction for interest paid in the =  
first 60 months of repayment on student loans. The deduction is =  
available even if an individual does not itemize other deductions.  
=

The maximum deduction is \$1,000 in 1998, \$1,500 in 1999, \$2,000 in =  
2000, and \$2,500 in 2001 and beyond. It is phased out for joint =  
filers with adjusted gross income between \$60,000 and \$75,000, and =  
single filers with adjusted gross income between \$40,000 and =  
\$55,000. The deduction is available for all educational loans, =

including loans made to students, parents, guaranteed student =  
loans, and loans from private lenders, made before August of 1997 =  
when the new student loan interest deduction became law but only =  
to the extent that the loan is within the first 60 months of =  
repayment. =

=

A senior graduates from college and finds a job paying \$25,000 a =  
year (and has no other income). The student has a total student =  
debt of \$12,000 and is in the 15% federal income tax bracket. The =  
monthly payment for this student's loans is \$148. The total =  
amounts of payments for the first year is \$1,776, over half of =  
which is interest (\$960) which can be deducted under the new law. =  
The student's maximum tax benefit can be calculated by multiplying =  
\$960 by 15%: for a tax savings of \$144.  
=

=B7 Going to school while you work

=

The new tax law extends Section 127 of the tax code for three =  
years. Section 127 allows workers to exclude up to \$5,250 of =  
employer-provided education benefits from their income. The =  
assistance must be for undergraduate courses beginning prior to =  
June 1, 2000. This provision will enable many Americans to pursue =  
their goals of lifelong learning. =

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=B7 Community service loan forgiveness =

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This provision excludes from income student loan amounts forgiven =  
by non-profit, tax-exempt charitable or educational institutions =

for borrowers who take community-service jobs that address unmet =  
community needs. For example, a recent graduate who takes a =  
low-paying job in a rural school will not owe any additional =  
income tax if in recognition of this service her college or =  
another charity forgives a loan it made to her to help pay her =  
college costs. This provision applies to loans forgiven after =  
August 5, 1997.  
=

The balanced budget bills signed by President Clinton include many =  
other provisions that will help all of the young people in America =  
grow and learn and help families navigate through these changing =  
times. The new tax law includes a provision to encourage computer =  
donations to schools. The balanced budget agreement protects and =  
advances President Clinton's top domestic priorities, such as =  
expansion of Head Start, and an increase in the maximum Pell =  
grant for college to \$3,000. All of these benefits and tax cuts =  
have one goal: to give parents the support they need to give their =  
children a first class education and hope for the future.  
=

For information on additional student aid programs that will help =  
meet the costs of college and lifelong learning for you, your =  
children and grandchildren, please call 1-800-4FED-AID. For =  
information on the importance of getting ready for college early, =  
especially middle school students, call 1-800-USA-LEARN.  
=

(This is an informational guide produced by the Department of =  
Education; for detailed tax information and instruction please =  
consult your IRS tax forms and publications to see if you =  
qualify.)

[illegible]

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M;W=N@&AI9VAE<H!E9'5C871I;V[/97AP96YS97.`;W\*`=&AO<V6`V:.`=&AE  
M:7\*`<W!O=7-E+(!C:&EL9"R";W\*`979E;H!G<F%N9&-H:6QD+H!);H!A9&1I  
M=&EO;BR`9F]R@&5A8VB`8VAI;&2`=6YD97\*`86=E@#\$X+(!F86UI;&EE<X!M  
M87F`9&5P;W-I=(`D-3`PSW!E<H!Y96%R@&EN=&^`86Z`161U8V%T:6]N@\$E2  
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M8V%T:6]N@\$E208!W:6QL@&%C8W5M=6QA=&6`=&%X+69R966`86YD@&YO@'1A  
M>&5S@`=I;&R`8F7/95E@'5P;VZ`=VET:&1R87=A;(!I9H!T:&6`6]N97F`  
M:7.`=7-E9(!T;X!P87F`9F]R@'!O<W0M<V5C;VYD87)Y@'1U:71I;VZ`86YD  
M@(!R97%U:7)E9(!F965S@"AL97-S@&=R86YT<RR`<V-H;VQA<G-H:7!S+(!A  
M;F2`W1H97+/= &%X+69R966`961U8V%T:6]N86R`87-S:7-T86YC92DL@(!B  
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MB`+QS/\$#B`+QF]`&%0`""P)`" %A,-8N-P`!(!4`T\$&`=&%X<&%Y97+P"3P  
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M+#`P,(!A;F2`)#\$V,"PP,#`L@&]R@&&`<VEN9VQE@&9I;&5R@`=I=&B`86Z`  
M861J=7-T962`9W)O<W.`:6YC;VUE@&)E='E96Z`)#DU+#`P,(!A;F2`)#\$Q  
M,"PP,#`N@(!4:&5R9<]A<F6`88!F97>`<F5S=)I8W1I;VYS+H""08!S=5D  
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M:7-T<FEB=71I;VYS@&9R;VV`86Z`161U8V%T:6]N@\$E208!M87F`F]T+(!I  
M;H!T:&7/<V%M98!Y96%R+(!B96YE9FET@&9R;VV`=&AE@/'@!/(3U!%@%-C  
M:&]L87)S:&EP\!\$(\O<H!.;69E=&EM98!,96%R;FEN9X!T87B`8W)E9&ET

M<R[,T@`2`8""(L![`6&0`\$#@#2T@\$2`8""(L![`(&0`\$#@#2T@.`<"  
M`8`BP\$.`-+2`0X`!P(=@`+0X`TLS=!!`@%1``,`WV+`\_`\$`#=W04+`,`  
M``+`-W=!A`,`@%1`(`WV(M`@`\$P#=`\$`.P#`""\$`PP`X-T`P`#  
M`""P#=`\@SR1W)E871E<H!F;&5X:6)I;&ET>8!F;W\*`9F%M:6Q197.`<V%V  
M:6YG@&EN@%U86Q19FEE9(!3=&%T98!T=6ET:6]N@`!L86YS@(#S#//="!<  
M@P%1`(`WV(M`@`2!X`!<`W8S0!!`4`\$P`!S05"!`4`0\*\$`ZPFA`.L  
M)@(@`P#0C-T)"P`#`""P#=-(\$@`&`@`"+78`AX`!(TM(`\$@`&`@`"+  
M`78`\$!X`!(TM(!#@`@`#L`(!#@#2T@.`<"`-\$`BP\$.`-):&5N@&&`  
M9F%M:6QY@`5S97.`88!Q=6%L:69I962`4W1A=&4M<W!O;G-O<F5D@`!U:71I  
M;VZ`<&QA;H!T;X!S879E@&9O<H!C;VQL96=E+("`<;F`^=&%X@&ES@&1U98#Q  
M`H\$`"6EN@&-O;FYE8W1I;VZ`=VET:(!T:&6`<&QA;H#Q`X\$`"75N=&ELFX!T  
M:&7/=&EM98!O9H!W:71H9)A=V%L@&%S@&&`<F5S=6QT@&]F@&&`;&%W@`!A  
M<W-E9(!L87-T@`EE87(N@(!4:&ES@`EE87+P`3P<X"<8VAA;F=E@&EN@&QA  
M=YN`86QL;W=S@&9A;6EL:65S@`!O@`5S98!T:&5S98!P;&%N<X!T;X!S879E  
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M;VV`86YD@&)O87)D@&5X<&5N<V5S@&9O<H!S='5D96YT<X!W:&^`871T96YD  
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M`#P?`"2`-+2`1(`!@(`BP`L`"X?`"2`-+2`X`!P(`"+0X`TM(!#@`  
M`@!V`L!#@#2S-T\$`""5\$`P#?8O0`-W=!0L`P`""L`W=T&\$P`""5\$`  
M`@#?8OXA`"3`-WP`3PX#`,`""(0##`#@W0<+`,`""+`-WR#/)087EI  
M;F>`8F%C:X!S='5D96YT@&QO86YS@&%T@&&`;&]W97\*`8V]S=/,]JT(%P"#  
M`5\$`@#?8OXA`"9(@`"P#=-C`\$P`"%0`3`&=#!(+`#0`!`H0#K":\$`ZPF  
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M[`#A(0`\$#@#2T@.`<"`8`BP\$.`-+2`X`!P(`"+0X`TD9O<H!M86YY  
M@&-O;&QE9V6`9W)A9`5A=&5S+(!O;F6`V;`=&AE:7\*`9FER<W2`9FEN86YC  
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M\0`#`O`,`\0&#`O`Q`(@`"9OQ`8@`"?`(\O\$`@&+Q08!S96YI;W\*`9W)A9`5A  
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M;G1S@&]F@`!A>6UE;G1S@&9O<H!T:&6`G&9I<G-T@`EE87\*`@&ES@`"0Q+#<W  
M-BR`W9E<H!H86QF@&]F@`=H:6-H@&ES@&EN=&5R97-T@`"@D.38P\*8!W:&EC  
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M:6YG<YN`;V:`)#S\$-["Q`8("?\$`A`+QF\SQ`80"?`(\YO,5&AE@&UA>&EM  
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M.2R`)(L,#`P@&EN@#(P,#`L@&%N9(`D,BPU,##`":6Z`,`C`P,8!A;F2`8F5Y

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M`@`"+>P`["('!(TM(\$@`&`@`"+78`WB('!(TM(`#@`" `@#L` (L!#@#2  
MT@\$.``<"8`BP\$.`-\*<0\*%`O',0.%`O'Q`(@`"9OQ`8@`"?\$"A@+Q@CR  
M08!S96YI;W\*`9W)A9'5A=&5S@&9R;VV`8V]L;&5G98!A;F2'9FEN9'.`88!J  
M;V\*`<&%Y:6YG@`"0R-2PP,##`88!Y96%R@`"AA;F2':&%S@&YO@&]T:&5R@&EN  
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M;H!B98!C86QC=6QA=&5D@&)Y@&UU;'!I<&QY:6YG@`"0Y-C""8GF',34E.H!F  
M;W\*`88!T87B`<V%V:6YG<X!O9H`D,30T+O,()0;(P`&`0("!"8'DZK`!"8  
M`@\$`)(("!"8!"!6?#@`"(P#4U!L?`(<`!@`("8!"!4!"8""!8`@(`6').  
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M!/#@,'P`""A`.,`#=#!PL`P`""L`W?(\D=O:6YG@'!O@'-C:&]O;(!W  
M:&EL98!Y;W6`=V]R:\_,\]T(%P`#`5\$`@#?8B,L`""^+""P#=C-`\$P`  
M%0`3`"Q&V8:P`!"H0#K":\$ZPF`B`?'-",W0D+`,`""+`-W,T@\$2`8"  
M` (L!=@`#`0`\$@#2T@`2`8""(L![`!U\*0`\$@#2T@\$.`<"8`BP\$.`-+2  
M`X`!P(`["'+0X`TE!H98!N97>`=&%X@&QA=X!E>'!E;F1S@%-E8W1I;VZ`  
M,3(W@&]F@'!H98!T87B`8V]D98!F;W\*`=&AR966`>65A<G,N@(!396-T:6]N  
M@#\$R-X!A;&QO=W.'`=V]R:V5R<X!T;X!E>&-L=61E@'5P@'!O@`"0U+H(U,(!O  
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M`8M`"2`-+2`I(`!@(`BP%V`/[@L`"2`-+!=!`"@@%1`,`WV+`\$#`=W04+  
M`,`""+`-W2`X`!P(`["'+0X`TM(!#@`" `@!V` (L!#@#2W083`((!40`"  
M`-]B\$`"!",W?`!/#@,'P`""A`.,`#=#!PL`P`""L`W?(\D-O;6UU  
M;FET>8!S97)V:6-E@&QO86Z`9F]R9VEV96YE<W.`@/, \]T(%P`#`5\$`@#?  
M8A`O`!"!+P`"%P#=C-`\$P`"%0`3`\$-(8?)0`!"H0#K":\$ZPF`B`?'-",  
MW0D+`,`""+`-W,T@\$2`8""(L!=@`Y+P`\$@#2T@`2`8""(L![`"K+P`  
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M`-+2`X`!P([`"+0X`TM(!#@``@!V`(!#@#2S-(!\$@`&`@`"+78`73(`  
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end

===== 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 <01INXOALP00000FF5B@PMDF.EOP.GOV>; Mon, 22 Sep 1997 07:25:42 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01INXOAETPLS00FOQ0@PMDF.EOP.GOV>; Mon,

22 Sep 1997 07:25:35 -0400 (EDT)

Received: from vader.ed.gov ([165.224.216.253])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with ESMTP id <01INXO9TMS36005PAR@STORM.EOP.GOV>; Mon,

22 Sep 1997 07:25:04 -0400 (EDT)

Received: from smtpgwyl.ed.gov (smtpgwyl.ed.gov [165.224.216.37])

by vader.ed.gov (8.8.5/8.8.4) with SMTP id HAA04857; Mon,

22 Sep 1997 07:22:32 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov

(IMA Internet Exchange 2.11 Enterprise) id 00035022; Mon,

22 Sep 1997 07:24:48 -0400

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:26-SEP-1997 10:09:58.00

SUBJECT: Final Press One-Pager for Today's Community College Event

TO: Pauline\_Abernathy ( Pauline\_Abernathy @ ed.gov @ inet [ UNKNOWN ] )

READ:UNKNOWN

TO: Mike\_Smith ( Mike\_Smith @ ed.gov @ inet [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

MAKING TWO YEARS OF COLLEGE UNIVERSALLY AVAILABLE, AND PROMOTING A LIFETIME OF LEARNING

September 26, 1997

President Clinton fought for a Bipartisan Balanced Budget that included a \$1,500 HOPE Scholarship and a Lifetime Learning Tax Credit for middle income families, and a \$3,000 maximum Pell Grant scholarship for lower-income families. Today the President will release a new report which shows how these initiatives will help ensure that anyone can afford tuition and fees for two years at a community college, and highlights how community colleges are providing a high-quality education and preparing millions of Americans to participate in the 21st Century economy. The President will also challenge Congress to follow through on the Balanced Budget Agreement, not shut the door on thousands of adult students. Community Colleges are Dynamic Institutions that Provide a High Quality, Affordable Education.

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Pell Grants Will Benefit 1.4 Million Community College Students. The

Department of Education estimates that 1.4 million community college students will receive an average Pell Grant in 1998-99 of \$1,810. Pell Grants are available on a sliding scale based on income and can be used to cover tuition and fees as well as living expenses associated with college. The Bipartisan Balanced Budget Agreement includes the President's proposal for the largest increase in the grant in two decades, to a maximum of \$3,000. Some students will qualify for both a Pell Grant and a tax credit (HOPE or Lifetime).

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Many Adults Who Return to School Will be Shortchanged if Congress Does Not Finish the Job. Unless Congress follows through on the President's Pell Grant proposals -- as required by the Bipartisan Balanced Budget Agreement -- more than half a million adult students will find that their income is too low for them to fully benefit from HOPE (because they do not have sufficient tax liability), but they are not considered poor enough for a sufficient Pell Grant (223,000 will not be eligible for a grant at all). Those affected are students over 24 or veterans, and are either single or married without dependent children. A House-Senate conference committee is currently considering this issue. If they do not act to address this problem, college may be out of reach for students like a 22-year-old veteran making only \$10,000 a year, a married 35-year-old with joint income of only \$14,000, or a 30-year-old with income of only \$11,000.

Message Sent

To:

---

terry\_peterson @ ed.gov @ inet  
maureen\_mclaughlin @ ed.gov @ inet  
david\_frank @ ed.gov @ inet  
jill\_riemer @ ed.gov @ inet  
jacqueline\_woods @ ed.gov @ inet  
kevin\_sullivan @ ed.gov @ inet  
James\_Zook @ ed.gov  
Kirk\_Winters @ ed.gov

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

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D19]MAIL43847386I.216 to ASCII,

The following is a HEX DUMP:

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

# **Clinton Presidential Records Automated Records Management System [EMAIL]**

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

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**Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.**

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**File Name:** p\_h6837483\_opd\_html\_1.doc

**Attachment Number:** [ATTACH.D19]MAIL438473861.216

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:26-SEP-1997 13:05:25.00

SUBJECT: The President's Community College Visit Today

pauline\_abernathy ( pauline\_abernathy @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

ElmendorfE ( ElmendorfE @ aascu.nche.edu @ inet [ UNKNOWN ] )  
READ:UNKNOWN

tombutts ( tombutts @ umich.edu @ inet [ UNKNOWN ] )  
READ:UNKNOWN

ussaleg ( ussaleg @ essential.org @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TEXT:  
MAKING TWO YEARS OF COLLEGE UNIVERSALLY AVAILABLE, AND PROMOTING A  
LIFETIME OF LEARNING  
September 26, 1997

President Clinton fought for a Bipartisan Balanced Budget that included a \$1,500 HOPE Scholarship and a Lifetime Learning Tax Credit for middle income families, and a \$3,000 maximum Pell Grant scholarship for lower-income families. Today the President will release a new report which shows how these initiatives will help ensure that anyone can afford tuition and fees for two years at a community college, and highlights how community colleges are providing a high-quality education and preparing millions of Americans to participate in the 21st Century economy. The President will also challenge Congress to follow through on the Balanced Budget Agreement, not shut the door on thousands of adult students.

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seven States, including Texas, HOPE covers up to 100 percent of community college tuition and fees. In 35 States, the HOPE Scholarship covers up to 75 percent or more of tuition and fees. 5.8 million students are expected to benefit from the HOPE Scholarship at all types of higher education institutions.

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**7.1 Million Will Benefit from Lifetime Learning Tax Credit.** For students beyond their first two years of college, including those who are returning to school (full or part time) to upgrade their skills or change careers, the Taxpayer Relief Act offers a 20 percent tax credit for the first \$5,000 of tuition and fees paid by a student. It is expected that 7.1 million students will take advantage of the credit to help pay for postsecondary education.

**Many Adults Who Return to School Will be Shortchanged if Congress Does Not Finish the Job.** Unless Congress follows through on the President's Pell Grant proposals -- as required by the Bipartisan Balanced Budget Agreement -- more than half a million adult students will find that their income is too low for them to fully benefit from HOPE (because they do not have sufficient tax liability), but they are not considered poor enough for a sufficient Pell Grant (223,000 will not be eligible for a grant at all). Those affected are students over 24 or veterans, and are either single or married without dependent children. A House-Senate conference committee is currently considering this issue. If they do not act to address this problem, college may be out of reach for students like a 22-year-old veteran making only \$10,000 a year, a married 35-year-old with joint income of only \$14,000, or a 30-year-old with income of only \$11,000.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: William R. Kincaid ( CN=William R. Kincaid/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:26-SEP-1997 09:50:43.00

SUBJECT: Final Press One-Pager for Community College Event

TO: Jacqueline\_Woods ( Jacqueline\_Woods @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TO: Jill\_Rierner ( Jill\_Rierner @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TO: Maureen\_McLaughlin ( Maureen\_McLaughlin @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TO: Kevin\_Sullivan ( Kevin\_Sullivan @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TO: David\_Frank ( David\_Frank @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TO: Terry\_Peterson ( Terry\_Peterson @ ed.gov @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TEXT:  
Below and attached is today's press one-pager. I'll also fax a copy to Jill.

MAKING TWO YEARS OF COLLEGE UNIVERSALLY AVAILABLE, AND PROMOTING A  
LIFETIME OF LEARNING  
September 26, 1997

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----- Forwarded by William R. Kincaid/OPD/EOP on 09/26/97  
09:46 AM -----

William R. Kincaid  
09/26/97 09:22:31 AM  
Record Type: Record

To: Joshua Silverman/WHO/EOP, Kara Gerhardt/WHO/EOP  
cc: See the distribution list at the bottom of this message  
Subject: Final Press One-Pager for Community College Event

Elena has signed off now.

Message Copied

To:

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Christa Robinson/OPD/EOP  
Michael Cohen/OPD/EOP  
Robert M. Shireman/OPD/EOP  
Tanya E. Martin/OPD/EOP  
BALDERSTON\_A @ A1 @ CD @ LNGTWY  
Neera Tanden/WHO/EOP  
Jonathan H. Schnur/OVP @ OVP  
William H. White Jr./WHO/EOP

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

TEXT:  
Unable to convert ARMS\_EXT:[ATTACH.D99]MAIL492563864.216 to ASCII,  
The following is a HEX DUMP:

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

# **Clinton Presidential Records Automated Records Management System [EMAIL]**

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

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**Hex Dump file is not in a recognizable format, has been incorrectly decoded or is damaged.**

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**File Name:** p\_36836529\_opd\_html\_1.doc

**Attachment Number:** [ATTACH.D99]MAIL492563864.216

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: S. A. Noe ( CN=S. A. Noe/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME:28-SEP-1997 14:58:09.00

SUBJECT: FYI -- Treasury/IRS's meeting on the implementation of new tax credit programs

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 @ EOP [ OPD ] )

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

Last Thursday (September 25), Treasury/IRS met with the higher education community groups to discuss the implementation of new tax credit programs. ED and OMB were also invited to the meeting. From OMB, Alex Hunt at OIRA attended the meeting. Below is his summary of that meeting.

On October 1, Treasury/IRS will brief OMB of their work and plan for the implementation of the tax credit programs (including issuing regulations). (For that briefing, ED and Bob are invited to that meeting.)  
----- Forwarded by S. A. Noe/OMB/EOP on 09/28/97 02:49 PM  
-----

Alexander T. Hunt

09/26/97 04:55:53 PM

Record Type: Record

To: Daniel J. Chenok/OMB/EOP, Daniel I. Werfel/OMB/EOP, S. A. Noe/OMB/EOP  
cc: Jefferson B. Hill/OMB/EOP, Kathleen M. Turco/OMB/EOP  
Subject: Meeting with higher ed groups

Yesterday, Treasury hosted a meeting with the higher ed community to discuss implementation of the HOPE and Lifetime Learning Credits. Specifically, Treasury was seeking reaction to new requirements that colleges and universities report information on student enrollment and tuition payments beginning January 1, 1998, when the HOPE becomes effective.

In discussing implementation, Treasury emphasized that

it is focusing on the first year of reporting (presumably, more information will be required in future years);

it is committed to working with schools to refine and improve the reporting requirements (Treasury, IRS, and ED plan to hold a small number of regional meetings);

schools will not be required immediately to provide all data that IRS would like to have, just what is essential for compliance and what the schools are able to provide; and,

as long as schools make a "good faith effort" to report information, IRS would not impose penalties for the 1998 tax year, even if the regulations were finalized next year.

### New Reporting Requirements

Treasury proposed to collect the following information from schools, which would have the option of using paper or magnetic media. Much of this info would first have to be collected from students, and schools would be required to provide copies of the reports to students.

Name, address, and TIN of either the student or the taxpayer(s) the student certifies is claiming the student as a dependent. Most schools do not collect TINs of all students and/or their parents, just those receiving financial aid. There appeared to be consensus at the meeting that it would be a good idea for IRS to develop a form (paper or electronic) that schools could use to collect this information. This information collection is required by statute.

Name, address, and Employer Identification Number (EIN) of school, and phone number of a contact person. Except for the EIN, schools are required by statute to report this info.

Enrollment status. To be eligible for the HOPE, students must be at least half-time for any academic period beginning in 1998. Schools know the enrollment status of their students, but many people were concerned that half-time status would be difficult to determine for students enrolled part-time in two schools (seperately that are not half-time, combined, they are). Also, since about a million students transfer in their first year, it is important to decide at what point during an academic period enrollment is determined. This information is not required by statute.

Amount of post-secondary education. Students are eligible for the HOPE only in the first two years of college, so IRS wants schools to determine and report whether a student has either completed two years before 1998 or enrolled in either of the first two years of college during 1998. As with enrollment status, schools may not be able to easily obtain this information (e.g., what about AP credit?). This information is not required by statute.

Gross amount of tuition paid by students from all sources other than tuition remission. This info is necessary to determine the amount that students pay out-of-pocket for qualified tuition and fees, beginning January 1, 1998. The problem here is that account statements vary from school to school and they don't always disaggregate qualified payments from payments for non-qualified expenses, such as room and board. Also, schools can't be expected to know if students receive financial assistance directly that should be deducted from the credit (Treasury acknowledged

this problem). This information is not required by statute.

#### Other Issues

Technical correction to Taxpayer Relief Act. Treasury is working with Congress on a possible correction concerning, I believe, the definition of a trade or business that reimburses students for qualified expenses. I am not sure what the problem is, but I think the current language somehow hurts schools.

Student loan interest deduction. Many schools are also lenders and are thus affected by this new deduction, which is limited to the first 60 months of repayment. There is concern that it will be very difficult for lenders to keep track of the months because, for example, months of deferrals and forbearances are not counted.

#### Things for OMB to Consider

What is the feasibility of allowing a third-party agent (e.g., student loan clearinghouse) to collect the required information from students on behalf of schools and report it to IRS?

Does IRS need all the information it can get on all students claiming the credits, or can it adequately ensure compliance through random audits? Some smaller schools may simply lack the IT systems necessary to collect, maintain, and report the required information.

We should see some burden estimates that reflect the fact that many schools will have to invest in new or up-grade existing IT systems. SBREFA and Unfunded Mandates may come into play. With approximately 7,000 affected institutions (private and public), it takes an average outlay of only about \$14,000 to get to \$100 million.

If Treasury requires information collections not authorized by statute, will IRS have to issue interim final regs this year?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:29-SEP-1997 08:00:05.00

SUBJECT: FYI -- Treasury/IRS's meeting on the implementation of new tax credit programs

TO: Sonyia Matthews ( CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

HOPE binder

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/29/97

07:59 AM -----

S. A. Noe

09/28/97 02:58:35 PM

Record Type: Record

To: Barry White/OMB/EOP, Wayne Upshaw/OMB/EOP, Robert M. Shireman/OPD/EOP

cc:

Subject: FYI -- Treasury/IRS's meeting on the implementation of new tax credit programs

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----- Forwarded by S. A. Noe/OMB/EOP on 09/28/97 02:49 PM

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Alexander T. Hunt

09/26/97 04:55:53 PM

Record Type: Record

To: Daniel J. Chenok/OMB/EOP, Daniel I. Werfel/OMB/EOP, S. A. Noe/OMB/EOP

cc: Jefferson B. Hill/OMB/EOP, Kathleen M. Turco/OMB/EOP

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Treasury proposed to collect the following information from schools, which would have the option of using paper or magnetic media. Much of this info would first have to be collected from students, and schools would be required to provide copies of the reports to students.

Name, address, and TIN of either the student or the taxpayer(s) the student certifies is claiming the student as a dependent. Most schools do not collect TINs of all students and/or their parents, just those receiving financial aid. There appeared to be consensus at the meeting that it would be a good idea for IRS to develop a form (paper or electronic) that schools could use to collect this information. This information collection is required by statute.

Name, address, and Employer Identification Number (EIN) of school, and phone number of a contact person. Except for the EIN, schools are required by statute to report this info.

Enrollment status. To be eligible for the HOPE, students must be at least half-time for any academic period beginning in 1998. Schools know the enrollment status of their students, but many people were concerned that half-time status would be difficult to determine for students enrolled part-time in two schools (separately that are not half-time, combined, they are). Also, since about a million students transfer in their first year, it is important to decide at what point during an academic period enrollment is determined. This information is not required by statute.

Amount of post-secondary education. Students are eligible for the HOPE only in the first two years of college, so IRS wants schools to determine and report whether a student has either completed two years before 1998 or enrolled in either of the first two years of college during 1998. As with enrollment status, schools may not be able to easily obtain this information (e.g., what about AP credit?). This information is not

required by statute.

Gross amount of tuition paid by students from all sources other than tuition remission. This info is necessary to determine the amount that students pay out-of-pocket for qualified tuition and fees, beginning January 1, 1998. The problem here is that account statements vary from school to school and they don't always disaggregate qualified payments from payments for non-qualified expenses, such as room and board. Also, schools can't be expected to know if students receive financial assistance directly that should be deducted from the credit (Treasury acknowledged this problem). This information is not required by statute.

#### Other Issues

Technical correction to Taxpayer Relief Act. Treasury is working with Congress on a possible correction concerning, I believe, the definition of a trade or business that reimburses students for qualified expenses. I am not sure what the problem is, but I think the current language somehow hurts schools.

Student loan interest deduction. Many schools are also lenders and are thus affected by this new deduction, which is limited to the first 60 months of repayment. There is concern that it will be very difficult for lenders to keep track of the months because, for example, months of deferrals and forbearances are not counted.

#### Things for OMB to Consider

What is the feasibility of allowing a third-party agent (e.g., student loan clearinghouse) to collect the required information from students on behalf of schools and report it to IRS?

Does IRS need all the information it can get on all students claiming the credits, or can it adequately ensure compliance through random audits?

Some smaller schools may simply lack the IT systems necessary to collect, maintain, and report the required information.

We should see some burden estimates that reflect the fact that many schools will have to invest in new or up-grade existing IT systems.

SBREFA and Unfunded Mandates may come into play. With approximately 7,000 affected institutions (private and public), it takes an average outlay of only about \$14,000 to get to \$100 million.

If Treasury requires information collections not authorized by statute, will IRS have to issue interim final regs this year?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:29-SEP-1997 08:03:03.00

SUBJECT: Re: Taxpayer Relief Act Gotcha

TO: Pauline\_Abernathy ( Pauline\_Abernathy @ ed.gov @ INET @ LNGTWY [ UNKNOWN ] )  
READ:UNKNOWN

TEXT:

Below is a Q&A on the AMT. We expect new info from Treasury shortly.

Impact of Alternative Minimum Tax on Education Tax Cuts

Q: ISN'T IT TRUE THAT MANY AMERICANS WILL NOT GET THE EDUCATION TAX CUTS AS ADVERTISED BECAUSE OF THE ALTERNATIVE MINIMUM TAX?

A: The overwhelming share of families will be unaffected by the AMT. The AMT will affect only a small fraction of taxpayers. The balanced budget delivered a HOPE Scholarship to 5.8 million students and 7.1 million students will qualify for a Lifetime Learning Tax Credit. Additionally, it included a child tax credit for 27 million families. Out of these many millions of taxpayers, a very small fraction, (about 200,000) will be affected by the AMT in 1998 because of these tax cuts. [Absent the tax cut bill an estimated 1 million people would be affected by the AMT in 1998. The new tax cuts will add 200,000 people in 1998 and about 500,000 in 1999]

This is not a big issue now but the number of taxpayers affected by the AMT will grow over time, making it a significant issue down the road. It therefore should be studied and that is what the Treasury Department is doing. [By 2007, about 11 million people will be affected by the AMT -- of which 2.4 million will be affected by the AMT because of the new tax cut law]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:29-SEP-1997 11:18:17.00

SUBJECT: Re[3]: Taxpayer Relief Act Gotcha

TO: Charles R. Marr ( CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/29/97  
11:18 AM -----

Susan\_Frost @ ed.gov  
09/29/97 09:13:00 AM

Record Type: Record

To: Robert M. Shireman

cc:

Subject: Re[3]: Taxpayer Relief Act Gotcha

Can we confirm the 2 percent estimate with Treasury.... it would be very helpful if we could calm down the concern in the community with that number.  
susan

\_\_\_\_\_ Reply Separator

Subject: Re[2]: Taxpayer Relief Act Gotcha

Author: Dan Madzelan at WDCA09

Date: 9/29/97 08:53 AM

Here's what I know about this.

Months ago we (ED) met with Mark Zuckerman as Clay was developing his bill (HR 1435). Mark brought John Buckley from Ways 'n' Means minority staff because, obviously, of the Administration's tax pieces.

Buckley advised that Amd be careful describing HOPE as 'middle-income' assistance because some HOPE-eligible could get caught in the AMT.

At that time I asked Cathy L. about this and she acknowledged that it was an issue but they felt it was separate from HOPE. In fact, Treasury estimated that at most 2% of HOPE-eligibles in the first year would be affected by AMT.

After the Post article, I called Cathy again and she reiterated their position that it's a technical rather than policy issue (the AMT reaches further down the income scale each year because the thresholds are not indexed) but indicated that they might propose fixing it in the technical amendments package.

DanM

---

Reply Separator

---

Subject: Re: Taxpayer Relief Act Gotcha  
Author: Pauline Abernathy at WDCB01  
Date: 9/28/97 1:57 PM

Bob, have you gotten a fact sheet out of Treasury on the true impact of the AMT on HOPE and the other tax cuts? We keep getting asked about it in response to the newspaper reports and Treasury will scream if we try to write a fact sheet to get the facts out. The Big 6 presidents raised the AMT issue in the meeting with the Secy last week.

Let us know if we can be helpful. Thanks.

-----  
From: MKANT / UNIX, 01 (mkant@FINAID.ORG)  
To: FINAID-L / UNIX, 01 (FINAID-L@lists.psu.edu)  
Subject: Taxpayer Relief Act Gotcha  
Date: Wednesday, September 24, 1997 5:43PM

Recipient Type: BCC

<<File Attachment: TAXPAYER.TXT>>

The Washington Post had a recent article about another hidden problem with the Taxpayer Relief Act of 1997. Since I didn't see any discussion of this on this list, here's a quick summary.

Most taxpayers assume that the Alternative Minimum Tax is just for the rich. But the tax credits and deductions of the TRA are large enough that middle income families might be subject to the AMT. This has two implications:

1. The TRA financial aid provisions are less generous than they seem. In fact, despite their being advertised as helping middle income families, they don't do as good a job of this as claimed. Curiously, Congress was aware of this when they passed the legislation.

2. Many families are going to overlook the AMT, file their tax returns, and then get a nasty letter from the IRS indicating that they should have paid tax based on the AMT, and including a bill for the extra tax obligation.

There is apparently a meeting tomorrow in DC with the IRS to discuss the TRA's implementation. Perhaps this will be addressed at that meeting.

In any event, FAAs should be prepared to warn families about the AMT if the TRA regulations do not eliminate this gotcha.

Mark

---

Mark Kantrowitz, Publisher      FinAid Page, Inc.  
The Financial Aid Information Page      PO Box 81620, Pittsburgh, PA 15217  
<http://www.finaid.org>      1-412-422-6189 (fax)  
<mailto:mkant@finaid.org>      1-412-422-6190 (voice)

---

This message | Submissions      -> FINAID-L@lists.psu.edu  
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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

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mailing list | backup (Pete Weiss) -> FINAID-L-REQUEST@lists.psu.edu  
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===== ATTACHMENT 1 =====  
ATT CREATION TIME/DATE: 0 00:00:00.00

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id <01107K7XTCSG00GOHN@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Mon,

29 Sep 1997 09:16:56 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)  
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01107K7WM6Z400L70J@PMDF.EOP.GOV> for  
Robert\_M.\_Shireman@oa.eop.gov; Mon, 29 Sep 1997 09:16:54 -0400 (EDT)

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by STORM.EOP.GOV (PMDF V5.1-7 #6879)  
with ESMTP id <01107K78OFK2006AMH@STORM.EOP.GOV> for  
Robert\_M.\_Shireman@oa.eop.gov; Mon, 29 Sep 1997 09:16:22 -0400 (EDT)  
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by vader.ed.gov (8.8.7/8.8.4) with SMTP id JAA07113 for

<Robert\_M.\_Shireman@oa.eop.gov>; Mon, 29 Sep 1997 09:13:48 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov

(IMA Internet Exchange 2.11 Enterprise) id 0003E1F9; Mon,

29 Sep 1997 09:16:15 -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:29-SEP-1997 17:55:18.00

SUBJECT: Re[4]: Taxpayer Relief Act Gotcha

TO: Charles R. Marr ( CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/29/97  
05:55 PM -----

Dan\_Madzellan @ ed.gov

09/29/97 04:02:00 PM

Record Type: Record

To: Robert M. Shireman

cc:

Subject: Re[4]: Taxpayer Relief Act Gotcha

I asked Treasury if they had a public estimate for the number of non-rich and/or HOPE eligibles who get stung by AMT (the 2% figure).

They've gotten many similar inquiries about AMT effect on \$500 child tax credit as well as HOPE/LLC.

Treasury will get a response for us that we can use, assuming that one

is available. However, we should be aware that Treasury might choose to combine the AMT effects for both the \$500 child and HOPE tax credits and report a single number for public consumption.

DanM

---

Reply Separator

---

Subject: Re[3]: Taxpayer Relief Act Gotcha

Author: Susan Frost at WDCB01

Date: 9/29/97 9:13 AM

Can we confirm the 2 percent estimate with Treasury.... it would be very helpful  
if we could calm down the concern in the community with that number.  
susan

---

Reply Separator

Subject: Re[2]: Taxpayer Relief Act Gotcha  
Author: Dan Madzelan at WDCA09  
Date: 9/29/97 08:53 AM

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DanM

---

Reply Separator

Subject: Re: Taxpayer Relief Act Gotcha  
Author: Pauline Abernathy at WDCB01  
Date: 9/28/97 1:57 PM

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Let us know if we can be helpful. Thanks.

-----

From: MKANT / UNIX, 01 (mkant@FINAID.ORG)  
To: FINAID-L / UNIX, 01 (FINAID-L@lists.psu.edu)  
Subject: Taxpayer Relief Act Gotcha  
Date: Wednesday, September 24, 1997 5:43PM

Recipient Type: BCC

<<File Attachment: TAXPAYER.TXT>>

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Mark

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-----  
Mark Kantrowitz, Publisher      FinAid Page, Inc.  
The Financial Aid Information Page      PO Box 81620, Pittsburgh, PA 15217  
<http://www.finaid.org>      1-412-422-6189 (fax)  
<mailto:mkant@finaid.org>      1-412-422-6190 (voice)

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29 Sep 1997 16:11:54 -0400 (EDT)

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by PMDF.EOP.GOV (PMDf V5.0-4 #6879) id <01IO7YPD4X8000C7AY@PMDf.EOP.GOV> for  
Robert\_M.\_Shireman@oa.eop.gov; Mon, 29 Sep 1997 16:11:50 -0400 (EDT)

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Robert\_M.\_Shireman@oa.eop.gov; Mon, 29 Sep 1997 16:11:17 -0400 (EDT)

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by vader.ed.gov (8.8.7/8.8.4) with SMTP id QAA16309 for  
<Robert\_M.\_Shireman@oa.eop.gov>; Mon, 29 Sep 1997 16:08:40 -0400 (EDT)

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(IMA Internet Exchange 2.11 Enterprise) id 0003F253; Mon,  
29 Sep 1997 16:11:15 -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:29-SEP-1997 12:25:14.00

SUBJECT: Who from CEA

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

READ:UNKNOWN

TEXT:

should be at my next student loan interest rate meeting?

✓

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:30-SEP-1997 22:41:45.00

SUBJECT: TRA97--Hope and Lifetime Learning Tax Credits

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

READ:UNKNOWN

TO: Alexander T. Hunt ( CN=Alexander T. Hunt/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

FYI

----- Forwarded by Robert M. Shireman/OPD/EOP on 09/30/97

10:41 PM -----

ElmendorfE @ aascu.nche.edu

09/30/97 03:32:00 PM

Record Type: Record

To: Robert M. Shireman

cc:

Subject: TRA97--Hope and Lifetime Learning Tax Credits

> -----

> From: Dawn McCoy Nash[SMTP:DMCCOY@NACUBO.ORG]

> Sent: Tuesday, September 30, 1997 3:32:53 PM

> To: FINAID-L@LISTS.PSU.EDU

> Subject: TRA97--Hope and Lifetime Learning Tax Credits

> Auto forwarded by a Rule

>

To respond to the question from Agnes Canedo at Central Washington University about the Taxpayer Relief Act (TRA '97) of 1997--including the Hope scholarship and tax credits-- check out the latest NACUBO Advisory Report 97-3, Balanced Budget Plans Includes Multiple Provisions Affecting Higher Education, on the NACUBO Web site at:  
[http://www.nacubo.org/website/members/issues/advisory/ar97\\_3.html](http://www.nacubo.org/website/members/issues/advisory/ar97_3.html)

This comprehensive report provides analysis of the recently enacted TRA and Balanced Budget Act. Both pieces of legislation should be assessed for their impact on campus business officer operations and the changes they may require in current information systems.

While visiting the NACUBO Web site, check the latest up-to-date bulletin on TRA implementation and regulatory action at the following address:

<http://www.nacubo.org/website/members/issues/bulletins/index.html#092997>

Today's bulletin reports on Dept. of Treasury plans to release simplified guidance on 1998 TRA97 reporting as follows:

Last week Treasury Department and IRS officials sat down with members of the higher education community to discuss preliminary guidance to be issued this fall to assist colleges and universities in complying with the reporting requirements of the TRA97. The news was positive.

Treasury is planning to release guidance that will allow for simplified reporting requirements for the 1998 tax year. Although details are not currently available, it appears that the only financial information to be reported on 1998 information returns, may be gross tuition less tuition remission. No reporting of student aid is contemplated for 1998. To the surprise of many, Treasury officials indicated that the section of the law referring to reporting of refunds or Treasury and IRS officials also emphasized that colleges and universities should keep in mind that for 1998, no penalties will be assessed against institutions who make a good faith effort to comply with the new rules.

A series of regional meetings/hearings are currently being scheduled on TRA97 reporting issues. Please continue to check the NACUBO website for up-to-date bulletins as additional information comes available.

Dawn

\*\*\*\*\*PLEASE NOTE NEW ADDRESS/E-MAIL \*\*\*\*\*

Dawn McCoy Nash  
NACUBO  
Public Policy and Management Programs  
2501 M Street NW, Suite 400  
Washington, DC 20037  
tel. 202-861-2540  
fax 202-861-2583  
WWW home page: <http://www.nacubo.org>  
e-mail: [dmccoy@nacubo.org](mailto:dmccoy@nacubo.org)

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the FINAID-L | List owner (Bob Quinn) -> [REQ1@psu.edu](mailto:REQ1@psu.edu)  
mailing list | backup (Pete Weiss) -> [FINAID-L-REQUEST@lists.psu.edu](mailto:FINAID-L-REQUEST@lists.psu.edu)  
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id <011O9C2ZBIY800IDAH@PMDf.EOP.GOV> for shireman\_r@a1.eop.gov; Tue,  
30 Sep 1997 15:45:27 -0400 (EDT)

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by PMDF.EOP.GOV (PMDf V5.0-4 #6879) id <011O9C2XANHS00ASAB@PMDf.EOP.GOV> for  
shireman\_r@a1.eop.gov; Tue, 30 Sep 1997 15:45:24 -0400 (EDT)

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by STORM.EOP.GOV (PMDf V5.1-7 #6879)

with ESMTP id <011O9C2J3W2W006GKF@STORM.EOP.GOV> for shireman\_r@a1.eop.gov;  
Tue, 30 Sep 1997 15:45:05 -0400 (EDT)

Received: by aascu.nche.edu with Internet Mail Service (5.0.1458.49)

id <T7J8YQ4B>; Tue, 30 Sep 1997 15:44:41 -0400

Received: from psuvm.psu.edu by ptah.aascu.nche.edu with SMTP

(Microsoft Exchange Internet Mail Service Version 5.0.1458.49)

id T7J8YQT0; Tue, 30 Sep 1997 15:44:34 -0400

Received: from PSUVM.PSU.EDU by LISTS.PSU.EDU (IBM VM SMTP V2R2)

with BSMTP id 0370; Tue, 30 Sep 1997 15:38:39 -0400 (EDT)

Received: from LISTS.PSU.EDU (NJE origin LISTSERV@PSUVM)

by PSUVM.PSU.EDU (LMail V1.2c/1.8c) with BSMTP id 8333; Tue,

30 Sep 1997 15:38:25 -0400

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: S. A. Noe ( CN=S. A. Noe/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 2-OCT-1997 10:24:31.00

SUBJECT: Independent student IPA and SFA Hold-harmless

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

READ:UNKNOWN

TO: 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:

1. Independent student IPA

Jon Oberg at ED informed me of Jeffords and Kennedy's complaints. Senators Jeffords and Kennedy are upset because they are not included in the Administration's negotiations with appropriators about raising independent student IPAs.

Jon tried to tell Jeffords and Kennedy staffers that the Administration proposed raising the independent student IPAs in its budget, so the Senators should not feel so bad about the Administration talking to appropriators at this point. Nevertheless, the Senators seem to be upset about their being left out here.

2. SFA hold-harmless

I have learned that Treasury and Ways and Means are working on technical amendments to the Taxpayer Relief Act. A House markup on the technical amendments is scheduled for the next week.

Ron Jones at LRD tells me that the technical amendments are (strictly) on the tax code. He would ask Treasury about including the SFA hold-harmless provision. I told Ron about Barry's interest in including the hold-harmless provision in a technical amendment packet.

As you saw Jon Oberg's e-mail message, Gooding and Kildee included the hold-harmless provision in the loan consolidation packet yesterday. At that time, they just said that the absence of the hold-harmless provision was the tax committees' oversight.

Jon Oberg thinks that Goodling might object the Ways and Means Committee adding the hold-harmless provision in the technical amendment packet since he put in the loan consolidation packet. Nevertheless, if Rangel could add the hold-harmless provision in the technical amendment packet and the markup bill with the provision comes to the floor, there would be no further problems with passing the provision.

Please offer your guidance. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Patricia\_Mathews@ed.gov@INET@LNGTWY ( Patricia\_Mathews@ed.gov@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME: 3-OCT-1997 16:04:09.00

SUBJECT: ED Initiatives 74

TO: Daniel I. Werfel@eop ( Daniel I. Werfel@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: Timothy A. Rosado@eop ( Timothy A. Rosado@eop [ OMB ] )  
READ:UNKNOWN

TO: Leslie S. Mustain@eop ( Leslie S. Mustain@eop [ OMB ] )  
READ:UNKNOWN

TO: Lisa B. Fairhall@eop ( Lisa B. Fairhall@eop [ OMB ] )  
READ:UNKNOWN

TO: Daniel J. Chenok@EOP ( Daniel J. Chenok@EOP [ OMB ] )  
READ:UNKNOWN

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

TO: Maureen H. Walsh@eop ( Maureen H. Walsh@eop [ OMB ] )  
READ:UNKNOWN

TO: Naomi M. Tinklepaugh@eop ( Naomi M. Tinklepaugh@eop [ OMB ] )  
READ:UNKNOWN

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

TO: S. A. Noe@eop ( S. A. Noe@eop [ OMB ] )  
READ:UNKNOWN

TO: Larry R. Matlack@EOP ( Larry R. Matlack@EOP [ OMB ] )  
READ:UNKNOWN

TO: Michael Cohen@EOP ( Michael Cohen@EOP [ OPD ] )  
READ:UNKNOWN

TO: Mary I. Cassell@eop ( Mary I. Cassell@eop [ OMB ] )  
READ:UNKNOWN

TEXT:

\*\*\*\*\*

## ED Initiatives...

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A biweekly look at progress on the Secretary's priorities

\*\*\*\*\*

October 3, 1997

- > Helping All Children Read Well by the End of 3rd Grade
- > A Talented, Dedicated, Well-Prepared Teacher in Every Classroom
- > Charter Schools -- Making Every School Strong, Safe, Drug-Free & Disciplined
- > New American Consensus About How to Improve Education
- > Satellite Teleconferences
- > Star Schools Awards
- > Budget
- > U.S. Nonprofit Gateway Announced
- > New Online

### ----- HELPING ALL CHILDREN READ WELL BY THE END OF 3rd GRADE -----

Nearly 100 organizations have joined the President's Coalition for the America Reads Challenge, and each is deciding how it can help ensure that every child reads well & independently by the end of 3rd grade. The American Booksellers Assoc. has partnered with Scholastic & the Assoc. of Booksellers for Children to provide 100,000 free copies of Rosemary Wells' new book, "Read to Your Bunny." These copies will be distributed by participating bookstores to parents & guardians of young children as part of "Prescription for Reading Partnership" promotion, beginning in November. Phi Theta Kappa, the International honor society of 2-year colleges, will provide members with background materials on the America Reads Challenge, ideas for implementing programs at the chapter level, a Q&A sheet about why the America Reads Challenge is needed, and a list of national organizations & programs with whom they can partner. For more information on the America Reads Challenge, please see:

<http://www.ed.gov/ints/americanreads>

### ----- A TALENTED, DEDICATED, WELL-PREPARED TEACHER IN EVERY CLASSROOM -----

More than 100 State Teachers of the Year & other award-winning teachers will be asked \*5 questions\* during focus group sessions next week in the Nation's Capitol at the 5th annual National Teacher Forum, "Making Teaching a True Profession." Teachers & other education-minded Americans are invited to respond to those 5 questions -- & read others' responses, as well as a

background paper -- at:

<http://www.ed.gov/comments/nationalforum97/>

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## CHARTER SCHOOLS -- MAKING EVERY SCHOOL STRONG, SAFE, DRUG-FREE & DISCIPLINED

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----- Last month the President announced \$40.4 million in grants to help meet the growing demand for starting public charter schools. "These funds will continue our plan to help America create 3,000 charter schools by the next century," the President said. Two states, Pennsylvania & South Carolina -- and 2 schools in Hawaii -- are receiving 1st-year grants (under the 3-year grant program) to support start-up & development of additional charter schools. Nine states are receiving 2nd-year grants (AK, CT, DE, FL, IL, KS, NJ, NC & WI, plus DC, Puerto Rico & a school in NM) while 10 states are receiving their 3rd & final year of support under the program (AZ, CA, CO, GA, LA, MA, MI, MN, OR & TX).

Under the Public Charter Schools Program, passed in 1994 as part of the Improving America's Schools Act, states conduct competitions & award subgrants to provide start-up funds for new or recently established charter schools. These funds help pay for planning, design & start-up costs. Secretary Riley noted that more than 420 charter schools receive support from the program.

For more information, including state contacts, please see:

<http://www.ed.gov/PressReleases/09-1997/chart97.html>

For general information about charter schools, please see:

<http://www.uscharterschools.org/>

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## NEW AMERICAN CONSENSUS ABOUT HOW TO IMPROVE EDUCATION

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Secretary Riley described "a new American consensus about how to improve education" in a speech last month at the National Press Club. He also released "What Really Matters in American Education," a report that discusses vouchers & their impact on schooling, the effect of private & public school choice programs on student achievement, the impact of course-taking & standards on student achievement, improvements needed in public schools, trends in education gains, exemplary efforts at comprehensive school reforms in urban school districts & more. The report & speech are at:

<http://www.ed.gov/Speeches/09-1997/index.html>

<http://www.ed.gov/Speeches/09-1997/970923.html>

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## FATHERS & FAMILY INVOLVEMENT

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----- Children do better in school when their dads are involved in their schools, and this holds true regardless of family income or race, parents' level of

education, whether their fathers live with them, or whether their mothers are also involved in their schools, according to a report released by the National Center for Education Statistics & highlighted Vice President Gore & Secretary Riley on October 2. Among the findings, which are based on parent interviews: children in 2-parent families where both parents are highly involved get better grades, enjoy school more & are less likely to repeat a grade, compared with those where only mothers are highly involved. The report, "Fathers' Involvement in Their Children's Schools," is available at:

<http://www.ed.gov/NCES/pubs98/fathers/index.html>

#### ----- SATELLITE TELECONFERENCES

----- The Department is offering 4 live, interactive teleconferences via satellite in the next 2 months on:

- \* the E-rate & how schools & communities can integrate technology into learning (Oct. 21, 8:00-9:00 p.m. ET).
- \* preparing teachers to involve families in children's learning, with special guest Vice President Gore (Nov. 5 at 2:00-4:00 p.m. ET).
- \* financial aid -- practical information about everything students & families need to know about federal student financial assistance. Registered sites will receive materials & financial aid applications (Nov. 10 at 8:00 -8:45 p.m. ET).
- \* Teacher recruitment & making sure there is a talented, dedicated & well-prepared teacher in every classroom (Nov. 18 at 8:00 -9:00 p.m. ET).

For information, please call 1-800-USA-LEARN or e-mail [Satellite\\_Town\\_Meeting@ed.gov](mailto:Satellite_Town_Meeting@ed.gov) All events are free, but registration is required in order to receive materials.

WHAT IS THE KEY to establishing quality before- & after-school enrichment programs? \*Strong partnerships\* with organizations & government agencies that can help provide resources & people to make the programs work, panelists told Secretary Riley during last month's Satellite Town Meeting. Panelists described various approaches. In Washington Heights (NYC), Intermediate School 218 partnered with the Children's Aid Society & others to keep the school open from 7 a.m. until late evening, offering academic tutorials, enrichment courses, arts & sports activities. The Children's Aid Society supplies resources & staff for many services & courses offered at the school. In the small town of Murfreesboro, Tennessee, every elementary school is open from 6 a.m. to 7 p.m. year round. Through flex-time scheduling & partnerships with local colleges, parents & state government, Murfreesboro has been able to offer education programs after school taught by certified teachers, without significantly increasing costs or demands on staff. For a videotape of the September Satellite Town

Meeting, send an e-mail to: [Satellite\\_Town\\_Meeting@ed.gov](mailto:Satellite_Town_Meeting@ed.gov)

## STAR SCHOOLS AWARDS

----- Last month, Secretary Riley announced 9 Star Schools grants to help improve teaching & learning through the use of satellite, cable, fiber optics, and multimedia technologies. Eight 5-year grants (totaling \$15 million) went to education organizations in 8 states (CA, FL, HI, IL, MA, SC, WA, WY) to help them acquire, develop & produce programs to teach students & train teachers, as well as pay for facilities & purchase equipment. One \*dissemination\* grant (to WestEd in CA) will help state departments of education & school districts plan & implement technology-based distance learning systems. For more information, please see:

<http://www.ed.gov/PressReleases/09-1997/starsc97.html>

For information about other Star Schools projects, see:

<http://www.ed.gov/EdRes/EdFed/Star.html>

## BUDGET

----- This week the President signed a "continuing resolution" (CR) that had been passed by the House & Senate allowing the Department to operate at current 1997 spending levels while the House & Senate work in conference committee to resolve differences in their respective appropriations bills. The CR will no longer affect the Department of Education when that law expires on October 23, or when a 1998 Labor-HHS-Education appropriations bill has been agreed to by both chambers & signed by the President. Conferees on the Department appropriations bill are not expected to meet until October 7. As previously reported, the Senate passed last month as part of its appropriations bill an amendment that would fold most elementary & secondary education funding administered by the Department into block grants to be distributed to local education agencies (school districts). The House education appropriations bill includes no such amendment; however, it would halt funding for the development of voluntary national tests. The President said on September 16 that he would veto any legislation that includes the Senate block grant provision or the House bill effort to stop voluntary national testing (<http://www.ed.gov/PressReleases/WhiteHouse.html>).

## U.S. NONPROFIT GATEWAY ANNOUNCED

----- Last month, Vice President Gore unveiled a one-stop website developed by 15 federal agencies for non-profit groups. The U.S. NonProfit Gateway serves as a directory to more than 300,000 government webpages on grants, budgets, volunteer opportunities & agency partnerships. At the announcement, the Vice President mentioned the Department's Partnership for Family

Involvement for Education & other efforts, including...

- \* The Environmental Protection Agency's "EnviroFacts," which offers maps displaying air pollution levels & Superfund clean-up decisions.
- \* The Department of Health & Human Services' "HealthFinder," which provides consumer health information.
- \* The Department of Labor's "America's Job Bank" -- a service for job seekers & employers that was created in conjunction with the 50 state employment services.

The U.S. NonProfit Gateway is at: <http://www.nonprofit.gov/>  
The Department of Education's NonProfit Gateway is at:  
<http://www.ed.gov/NPAdvisor>

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NEW ONLINE  
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"Topics A to Z" -- an alphabetical list of links to the best starting points for major topics addressed at the U.S. Department of Education's website & at other Department-sponsored websites.  
` <http://www.ed.gov/topicsaz/>

"Families' Guide to the 1997 Tax Cuts for Education" -- describes the HOPE Scholarship tax credit, the Lifetime Learning tax credit & other benefits provided by the August (1997) balanced budget law for adults returning to school & families sending children to college.  
<http://www.ed.gov/budget/97918tax.html>

September 18 testimony by Acting Deputy Secretary Marshall Smith on the William D. Ford Direct Loan Consolidation Program before the House Subcommittee on Postsecondary Education, Training & Life-Long Learning.  
<http://www.ed.gov/offices/OLCA/msmith.html>

An "interactive budgeting worksheet & calculator" where students can key in their expenses & income -- education (tuition, books, fees), housing, transportation, financial aid, employment & more -- and estimate their budgets for the academic year.  
<http://www.ed.gov/DirectLoan/calc.html>

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ED Initiatives is made possible by many contributors, including Cindy Balmuth, Dan Bernal, Mary Beth Blegen, Carla DeWitt, Terry Dozier, Terri Ferinde Dunham, Marty Jacobs, Diane B. Jones, Peter Kickbush, Melinda Kitchell Malico, John McGrath, Tony Orr, Joyce Rice, Narric Rome, Keith Stubbs, David Thomas, Donna Timm, Nancy Weaver, Susan Wiener & others. Please send any comments to Kirk Winters in the Office of the Under Secretary, U.S. Department of Education

(kirk\_winters@ed.gov).

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To subscribe to (or unsubscribe from) EDInfo, address an email message to: listproc@inet.ed.gov Then write either SUBSCRIBE EDINFO YOURFIRSTNAME YOURLASTNAME in the message, or write UNSUBSCRIBE EDINFO (if you have a signature block, please turn it off). Then send it!

=====

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 <01I0DJES8UFK007PQZ@PMDF.EOP.GOV>; Fri, 03 Oct 1997 15:58:58 -0400 (EDT)

Received: from storm.eop.gov (storm.eop.gov)

by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01I0DJEI3EKG00M1XK@PMDF.EOP.GOV>; Fri,

03 Oct 1997 15:58:51 -0400 (EDT)

Received: from vader.ed.gov ([165.224.216.253])

by STORM.EOP.GOV (PMDF V5.1-7 #6879)

with ESMTP id <01I0DJEDQO50006SHH@STORM.EOP.GOV>; Fri,

03 Oct 1997 15:58:38 -0400 (EDT)

Received: from smtpgwyl.ed.gov (smtpgwyl.ed.gov [165.224.216.37])

by vader.ed.gov (8.8.7/8.8.4) with SMTP id PAA26268; Fri,

03 Oct 1997 15:55:59 -0400 (EDT)

Received: from ccMail by smtpgwyl.ed.gov

(IMA Internet Exchange 2.11 Enterprise) id 00046132; Fri,

03 Oct 1997 15:58:41 -0400

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: S. A. Noe ( CN=S. A. Noe/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 3-OCT-1997 19:30:14.00

SUBJECT: FYI -- a summary of Treasury/IRS briefing on the implementation of new tax programs

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@EOP [ OPD ] )

READ:UNKNOWN

TO: 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:

On Wednesday (Oct. 1), Treasury briefed ED and OMB of its implementation plan for new tax programs.

Attendees: Three lawyers from Treasury's Tax Policy, Maureen McLaughin and other OPE folks, Chenok, Werfel, and Hunt from OIRA, Turco (HTF), and Noe.

As you have seen in Alexander Hunt's summary of Treasury's meeting with the higher education groups, Treasury/IRS will not be very tough on its enforcement in next two or three years. (Treasury/IRS plans to impose no penalties on schools as long as they show a good faith effort.

Treasury/IRS's standard for "a good faith effort" seems quite minimal.)

One major reason for such leniency seems to be a lack of IRS's human or computer resources for enforcement at this point.

This fall, Treasury will meet with college people to hear their concerns. Terry Hartle is organizing these meetings and ED will be in those meetings.

Treasury expects to issue some guidance booklets (in plain English) on new tax benefit programs for individual taxpayers by the end of November.

Treasury hopes to issue regulations in the first 6 months of the next year. Treasury will try to share with OMB and ED memos that its staffers write before and after draft regulations: one is a predecisional memo about what should be in regulations and the other is a post-decision memo about what's actually in the regulations. We do not know yet when we will receive these memos. OIRA will have a better idea of when we can expect these memos once it figures out with Treasury what kind of procedure will be used for the regulations.

Initial forms/schedules will be completed by June 1998 and will be finalized over the summer of 1998.

Treasury/IRS are working on not only tax credit programs but also other education tax programs including education IRA, qualified tuition tax plans, and educational bonds.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Wayne Upshaw ( CN=Wayne Upshaw/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 6-OCT-1997 07:22:36.00

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

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

FYI

----- Forwarded by Wayne Upshaw/OMB/EOP on 10/06/97 07:22  
AM -----

Barry White

10/04/97 01:13:53 PM

Record Type: Record

To: Franklin D. Raines/OMB/EOP@EOP

cc: See the distribution list at the bottom of this message

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

The Call. As requested, I returned the call to you from Jonathan Gray of Sanford and Bernstein, a Wall Street analyst who knows you from Fannie Mae. He is completing work on Sallie Mae and wanted you to know his views of the impact on Sallie Mae and other guaranteed student loan holders, and on originators, of the student loan interest rate reduction scheduled to go into effect July 1, 1998.

In brief, Mr. Gray believes this reduction in loan profit will make it highly unlikely that any but small town banks will find that it pays to make or hold student loans. Pull-out of a substantial number of lenders would trigger a crisis of loan availability that the higher education community cannot withstand.

[Were that pull-out to occur, it might drive more schools toward direct lending, which we once would have been thrilled about, but given the sorry state of student loan management now, a major increase in volume demand would add to, not ameliorate, the loan availability problem.]

Gray is sending me his paper, which I will share with you. If you want more details on the statutory change and its likely effects, Wayne can

provide them. The banks have claimed for 30 years that any reduction in student loan interest will destroy their participation, but it never happens. Analysis may indicate that this change is different, but so far, we are not convinced.

This issue is well known to us (OMB, Education, interested White House staff). It is part of the much larger issue of where the Administration is on student aid management and student aid policy.

Hill and interest group context. The pressure from the banks is coming at a time when direct lending is so weak, we cannot dismiss the banking industry's complaint as easily as we would have two years ago. On the other hand, the scheduled interest rate cut was a major Democratic and Administration benefit for students in the Student Loan Reform Act of 1993 that it would be very hard to go back on now, without losing student group support. Those groups are among the last strong supporters of direct lending.

There may be a way to mitigate the interest rate reduction by combining a change with offsetting savings for students that don't hurt bank profits, but I hate to get deeply into that without an overall strategy for long term student aid policy. Education has not been willing to pursue such a strategy for the pending reauthorization or the FY 1999 Budget, hoping, as did all the Hill staffs and interest groups until a few months ago, that such changes and disruptions and political battles could be put off another few years. Growing dismay with ED's management, and the aggressiveness of the guaranteed loan industry -- taking losses on student loan origination costs in order to take business from direct loans, reducing interest rates for good paying borrowers, improving service to schools -- are forcing re-assessment of the deferral strategy.

The Education/OMB Management Board is trying to get changes in Education management practices. My staff and Bob Shireman are working on the policy options. We hope to be able to wait until Director's Review to discuss these with you, but events may force an earlier conversation.

How you might help. I presume Ed DeSeve has talked to you about the Management Board. We have been using the Weekly Report to keep you informed. To me, the linchpin of any rescue plan is the hiring of a chief operating officer plus a senior management team to take charge now. Education desperately needs a new face now to present to the Hill, the lobbyists, and the schools. One that has premier credentials as a manager, can inspire confidence, and can work with the Board to draft and implement aggressively a plan we and the affected parties can have confidence in. (We aren't even in as "good" shape as IRS, because Education does not have a senior career manager like Dolan who could at least be the public finger-in-the-dyke guy that people could sympathize with.)

Do you have any suggestions from your Fannie Mae or other lives that you could share with Ed DeSeve and us for people who could fill this yawning gap? An ace financial services industry manager would be ideal.

There are not many other national policy problem areas where the answers lie in financial services and ADP systems, which are in as bad shape, and

where a great manager looking for a challenge for a few years could have so grand a chance to excel. Or to fail, but that's always part of any management challenge.

If Ed has already mined this source, sorry for hitting on you. But this program area is in desperate straits.

Message Copied

To:

Jill M. Blickstein/OMB/EOP@EOP

Jacob J. Lew/OMB/EOP@EOP

Janet Himler/OMB/EOP@EOP

Wayne Upshaw/OMB/EOP@EOP

G. E. DeSeve/OMB/EOP@EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-OCT-1997 14:47:48.00

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

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

READ:UNKNOWN

TEXT:

No phone number. I guess FDR doesn't call him daily.

Make sure he knows what a BIG IMPORTANT job this is (you'll make sure he gets some recognition from the Pres, won't you?) And if he doesn't want to do it, make him take some interest in finding you someone great who will.

----- Forwarded by Kathryn B. Stack/OMB/EOP on 10/09/97  
02:44 PM -----

Barry White  
10/06/97 07:12:37 PM  
Record Type: Record

To: G. E. DeSeve/OMB/EOP, Kathryn B. Stack/OMB/EOP, Wayne Upshaw/OMB/EOP  
cc:  
Subject: Re: Call to Jonathan Gray; student aid policy; a request for help

See below. FDR's response to my query as to whether he had any candidates for helping rescue student aid management.

Ed, will you follow up?

----- Forwarded by Barry White/OMB/EOP on 10/06/97 07:10  
PM -----

From: Franklin D. Raines on 10/06/97 06:44:23 PM  
Record Type: Record

To: Barry White/OMB/EOP@EOP  
cc:  
bcc:  
Subject: Re: Call to Jonathan Gray; student aid policy; a request for help

Thanks for handling the call. There is a fellow at Fannie Mae named Bill Kelvie who is their CIO. I have no idea if he is interested in public service but he would great because he is a good manager and a wiz at technology in financial services. He is useful to talk to anyway because

he know lots of people in the business.

fdr

Barry White  
10/04/97 01:13:53 PM  
Record Type: Record

To: Franklin D. Raines/OMB/EOP@EOP  
cc: See the distribution list at the bottom of this message  
Subject: Call to Jonathan Gray; student aid policy; a request for help

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To:

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Janet Himler/OMB/EOP@EOP

Wayne Upshaw/OMB/EOP@EOP

G. E. DeSeve/OMB/EOP@EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Nancy.Coolidge@ucop.edu@INET@LNGTWY ( Nancy.Coolidge@ucop.edu@INET@LNGTWY [ UNKNOWN ] )

CREATION DATE/TIME:13-OCT-1997 14:29:12.00

SUBJECT: Debate about Tying Student Loan Interest Rates to 10-yr. Treasu

TO: Daniel I. Werfel@eop ( Daniel I. Werfel@eop [ OMB ] )  
READ:UNKNOWN

TO: S. A. Noe@eop ( S. A. Noe@eop [ OMB ] )  
READ:UNKNOWN

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

TO: Daniel J. Chenok@EOP ( Daniel J. Chenok@EOP [ OMB ] )  
READ:UNKNOWN

TEXT:

Those of you interested in the debate on student loan interest rates may be interested in the "point -- counterpoint" postings (two notes) forwarded from FINAID below.

An oversimplified statement on the background: this is a debate as to whether students are well served or ill-served by legislation which will go into effect July 1, 1998 that will tie the determination of the student loan interest rates for FFEL loans to a long-term (10 year) note rather than a short term instrument (91-day Treasury Bill). One intent of the legislation is to make the cost of credit less expensive to students. However, a shift to a 10-year Treasury note is likely to reduce the profitability of lender participation, but the extent to which this will occur and/or the effects of the uncertainty of this prospect have induced lenders to put alternatives on the table for student savings.

A impartial cost analysis of some of these alternatives may help us weigh their value to students in the long run. (The integrity of this debate is improving, so these are worth reading! ed) n.

forwarding:

Date: Mon, 13 Oct 1997 10:33:40 -0700  
Reply-To: Steve McCullough <isllc@IX.NETCOM.COM>  
Sender: ADMINISTRATION of USA Financial Aid Offices  
<FINAID-L@LISTS.PSU.EDU>  
From: Steve McCullough <isllc@IX.NETCOM.COM>  
Subject: Re: Change in Student Loan  
To: FINAID-L@LISTS.PSU.EDU

My name is Steve McCullough, and I am the Executive Director of Iowa Student Loan Liquidity Corporation, the non-profit secondary market for

student loans in Iowa. Our mission is to help students obtain the financial resources necessary to receive a post-secondary education, and we accomplish this mission with the help of our school and lender partners.

Several individuals rightfully pointed out that I neglected to list my institutional affiliation on my original message, for which I apologize. I can assure you this mistake was caused by my inexperience using this forum.

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The importance of lowering the interest rate cap is that the vast majority of the time, student loan rates would have been at this cap regardless of which index was used, historically speaking. This makes lowering the cap a much more sure bet to save students money. The same is true with cutting up-front fees. Regardless of what happens with rates, students get more money from their loans to buy books or pay tuition.

And here's the kicker: the way the Congressional budgeting process works, retaining the old, T-Bill based rate produces enough budget savings to pay for a reduction in the cap and/or a lowering of the up-front fees. There is a unique opportunity to trade in the rate index switch for the surer savings to students provided by lowering the cap and/or reducing the up front fees. The opportunity to make this trade

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I applaud Mr. Frishberg, U.S. PIRG, NAGPS, USSA and all the others in this forum for their passionate advocacy for students. It's good to know that when my sons are in college, you will be looking out for their interests. I hope you appreciate my motivation to do the same, as well as my position on behalf of the students, schools and lenders served by Iowa Student Loan Liquidity Corporation. I look forward to more, constructive dialog on this issue.

Steven W. McCullough  
Executive Director  
Iowa Student Loan Liquidity Corporation  
Telephone: 1-800-455-2759

-----  
>Date: Sun, 12 Oct 1997 14:19:52 -0400  
>Reply-To: Ivan Frishberg <ivan@PIRG.ORG>  
>Sender: ADMINISTRATION of USA Financial Aid Offices  
> <FINAID-L@LISTS.PSU.EDU>  
>From: Ivan Frishberg <ivan@PIRG.ORG>  
>Subject: Re: Change in Student Loan Rates  
>Comments: To: Steve McCullough <isllc@IX.NETCOM.COM>  
>To: FINAID-L@LISTS.PSU.EDU  
>  
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>about the mechanisms used to calculate student loan interest rates. For  
>disclosure here, I will state that I do not know Mr. McCullough, but I  
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>projections serve their own purposes in terms of yield, and are based  
>largely on the notion that what is past is the only prologue.  
>

>Let's be very clear about what the student perspective is on this issue,  
>regardless of what numbers any particular interest decides to bandy about.

>

>1) Student debt is increasing and will continue to increase faster than  
>the COL or the cost of tuition. Wages for college graduates are falling.  
>The amount and cost of education that is required to compete in the new  
>economy is also growing.

>

>2) One of the only way to respond to this rising debt is to reduce the  
>cost of borrowing. (To all those who squeal about how troublesome it is  
>to restrict students to the current federal loan limits, I would expect  
>extreme sympathy to the case for reducing costs of borrowing as the  
>principle tool for restraining debt).

>

>3) Students have been promised, deserve and need to see the interest  
>rates on student loans reduced.

>

>4) Students don't give a darn about which mechanism is used to calculate  
>the rate. If the 91 day is better than the 10 year because it saves on  
>hedging costs then fine. The more the lenders can play the market to  
>lower their costs the better. Students have little immediate interest in  
>the mechanism of their choice.

>

>5) And this is the biggy.... The Federal government has established a  
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>folk at the table then that is an appropriate Federal obligation.  
>Students and institutions may surely benefit from that federal effort.  
>Let the Congress decide after considerable and open debate how much of  
>what we refer to as "yield" is legitimate and how much is excess. But, we  
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>students bear the responsibility for keeping these folk at the table by  
>maintaining costs of borrowing that run counter to the purpose of having a  
>Federal loan program.

>

>Our bottom line is that if the lenders have a legitimate problem, then the  
>Federal government should probably take a look at it and help them out as  
>is appropriate. This should be done after lenders and the federal  
>government has met its first obligation, namely providing low cost loans  
>to students.

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>Thus far, what has happened is that the lending industry has unleashed an  
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>by some but ultimately rejected).

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>After meeting with the some members of the Congress and members of the  
>lending industry, I am convinced that a more thoughtful analysis of the  
>"problem" will prevail, and that the "solution" will maintain what current  
>law is: a reduction in the interest rate on student loans.

>

>Kudos to NAGPS for using the numbers from the Department of Education  
>to make this point, and kudos to the Department of Education for producing  
>the numbers.

>  
>  
>Ivan Frishberg, | Internet: ivan@PIRG.org  
>PIRG's Higher Education Project | Phone: (202) 546-9707  
>U.S.Public Interest Research Group | Fax: (202) 546-2461  
>218 D St., SE, Washington, DC 20003 | WWW: www.pirg.org  
>#####  
>===== 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 <01IORF0301E800PEZP@PMDF.EOP.GOV>; Mon, 13 Oct 1997 14:23:41 -0400 (EDT)  
Received: from storm.eop.gov (storm.eop.gov)  
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IORF02FAO000H2DQ@PMDF.EOP.GOV>; Mon,

13 Oct 1997 14:23:39 -0400 (EDT)  
Received: from ernie.ucop.edu ([128.48.141.1])  
by STORM.EOP.GOV (PMDF V5.1-7 #6879)  
with ESMTP id <01IOREZ91HEW000CZP@STORM.EOP.GOV>; Mon,  
13 Oct 1997 14:23:34 -0400 (EDT)

Received: from mokuna.UCOP.EDu (mokuna.ucop.edu [128.48.117.83])  
by ernie.ucop.edu (AIX4.2/UCB 8.7/8.7) with SMTP id LAA19924; Mon,  
13 Oct 1997 11:09:31 -0700 (PDT)

X-Sender: ncoolidg@popserv.ucop.edu

X-Mailer: Windows Eudora Pro Version 3.0 (32)

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:13-OCT-1997 19:55:19.00

SUBJECT: Debate about Tying Student Loan Interest Rates to 10-yr. Treasu

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

----- Forwarded by Robert M. Shireman/OPD/EOP on 10/13/97  
07:55 PM -----

Nancy.Coolidge @ ucop.edu

10/13/97 02:00:00 PM

Record Type: Record

To: Daniel J. Chenok, S. A. Noe, Robert M. Shireman, Daniel I. Werfel

cc:

Subject: Debate about Tying Student Loan Interest Rates to 10-yr. Treasu

Those of you interested in the debate on student loan interest rates may be interested in the "point -- counterpoint" postings (two notes) forwarded from FINAID below.

An oversimplified statement on the background: this is a debate as to whether students are well served or ill-served by legislation which will go into effect July 1, 1998 that will tie the determination of the student loan interest rates for FFEL loans to a long-term (10 year) note rather than a short term instrument (91-day Treasury Bill). One intent of the legislation is to make the cost of credit less expensive to students. However, a shift to a 10-year Treasury note is likely to reduce the profitability of lender participation, but the extent to which this will occur and/or the effects of the uncertainty of this prospect have induced lenders to put alternatives on the table for student savings.

A impartial cost analysis of some of these alternatives may help us weigh their value to students in the long run. (The integrity of this debate is improving, so these are worth reading! ed) n.

forwarding:

Date: Mon, 13 Oct 1997 10:33:40 -0700

Reply-To: Steve McCullough <isllc@IX.NETCOM.COM>

Sender: ADMINISTRATION of USA Financial Aid Offices  
<FINAID-L@LISTS.PSU.EDU>

From: Steve McCullough <islhc@IX.NETCOM.COM>  
Subject: Re: Change in Student Loan  
To: FINAID-L@LISTS.PSU.EDU

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>Date: Sun, 12 Oct 1997 14:19:52 -0400  
>Reply-To: Ivan Frishberg <ivan@PIRG.ORG>  
>Sender: ADMINISTRATION of USA Financial Aid Offices  
> <FINAID-L@LISTS.PSU.EDU>  
>From: Ivan Frishberg <ivan@PIRG.ORG>  
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>Comments: To: Steve Mccullough <isllc@IX.NETCOM.COM>  
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>

>Ivan Frishberg, | Internet: ivan@PIRG.org  
>PIRG's Higher Education Project | Phone: (202) 546-9707  
>U.S.Public Interest Research Group | Fax: (202) 546-2461  
>218 D St., SE, Washington, DC 20003 | WWW: www.pirg.org  
>#####  
>

===== 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 <01IORF03O1E800PEZP@PMDf.EOP.GOV>; Mon, 13 Oct 1997 14:23:41 -0400 (EDT)  
Received: from storm.eop.gov (storm.eop.gov)  
by PMDF.EOP.GOV (PMDf V5.0-4 #6879) id <01IORF02FAO000H2DQ@PMDf.EOP.GOV>; Mon,

13 Oct 1997 14:23:39 -0400 (EDT)  
Received: from ernie.ucop.edu ([128.48.141.1])  
by STORM.EOP.GOV (PMDf V5.1-7 #6879)  
with ESMTP id <01IOREZ91HEW000CZP@STORM.EOP.GOV>; Mon,  
13 Oct 1997 14:23:34 -0400 (EDT)

Received: from mokuna.UCOP.EDu (mokuna.ucop.edu [128.48.117.83])  
by ernie.ucop.edu (AIX4.2/UCB 8.7/8.7) with SMTP id LAA19924; Mon,  
13 Oct 1997 11:09:31 -0700 (PDT)

X-Sender: ncoolidg@popserv.ucop.edu

X-Mailer: Windows Eudora Pro Version 3.0 (32)

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:14-OCT-1997 20:58:04.00

SUBJECT: Meeting on Student Loan Interest Rate

TO: Sonyia Matthews ( CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

Please set something up for Friday. Let people know they will get a draft paper to discuss (get fax #s and make sure it goes out Thurs). The meeting should include:

Treasury: John Gruber and Maynard Colmeiz

CEA: Chris Carroll and Sandy Korenman

OMB: Wayne Upshaw and/or whoever he suggests

Education: Don Feuerstein, Pauline Abernathy, David Longanecker or designee,

NEC: Me and Peter Orszag