Jeff Baker

but why ever eligible
If unsub

Deferment — if subsid, payment.

if not...??

Forbearance — no pymts, but

EPA
HHS

WH? old

EAPE
Kingdomworks

Tony Campolo, President

MEMORANDUM

TO: Diana Fortuna

FROM: Larry R. Slagle, Chief Executive

DATE: Friday, August 15, 1997

RE: Student Loan Deferments

Diana,

Thank you so much for calling back today. I am so grateful for your help on this deferment issues.

Attached is the information that one of our students received from SallieMae. Any direction you can provide will be appreciated.

Sincerely,

Larry Slagle

forbearance
vs
deferment

Sub — still in sch
Grad
deferm

EVANGELICAL ASSOCIATION
FOR THE PROMOTION OF EDUCATION
TONY CAMPOLO, PRESIDENT

POST OFFICE BOX 7238
ST. DAVIDS, PA 19087
PHONE 610.341.1722

Sallie Mae Servicing
CORPORATION
P.O. BOX 59001
PANAMA CITY FL 32412-9001

(888) 272-5543

JANELLE L JOHNSON
6309 SHERWOOD RD
PHILADELPHIA PA 19151-2635

ACCOUNT NUMBER 479-13-6759-1

Dear JANELLE L JOHNSON,

06/09/97

In response to your request to postpone your education loan payments, we have enclosed a deferment form. Please read the form carefully and follow the steps below. Until we receive, review and approve your completed form, you are responsible for making your regular monthly payments.

1. Read the eligibility criteria in Section 3.

2. Check the appropriate box in Section 1.

3. Sign and date Section 1.

4. Ask an authorized official to complete Section 2. (See Section 3 for a list of officials.) **It is very important that this official fill in the exact dates (month-day-year) of the deferment period.**

Please complete and return the form quickly, especially if you are past due on your loan payments. Until we receive the form, we will continue collection activities. Once we receive the form, you can assume your deferment will be approved. We will let you know if you do not qualify. You can verify the dates of the deferment with our automated voice system.

If you need help completing the form, please let us know. Thank you.

Customer Service

Enclosure: PUB Deferment Form

Attention Internet Users!

You can confirm your loan status and view key account information by using our **Self-Service** feature at **www.salliemae.com**.

Section 3—Definitions/Eligibility Criteria for Public Service Deferment Request

Definitions

- **A deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan. The Federal government pays the interest that accrues during an eligible deferment for all subsidized Federal Stafford loans and for Federal Consolidation loans for which the application was received by the lender **(1)** on or after 1/1/93 but before 8/10/93, or **(2)** after 8/10/93 if it includes ***only*** Federal Stafford loans that were eligible for Federal interest subsidy. I am responsible for the interest that accrues during this period on all other Federal Family Education Loan Program loans.
- **Capitalization** is a process whereby a lender adds unpaid interest to the principal balance of a loan.

Eligibility Criteria

To **defer** (postpone) repayment of my loans while I am:

- On active duty in the **ARMED FORCES** of the United States (For Federal Stafford and SLS loan borrowers and Federal PLUS loans made before 8/15/83. Maximum eligibility is three years. This is a combined limit with Public Health Service and NOAA deferments.)

  To qualify, I must:

  (1) be on active duty in the Army, Navy, Air Force, Marine Corps or Coast Guard, and

  (2) provide my lender/servicer with copies of my military identification and orders or have my commanding or personnel officer certify Section 2 on the preceding page.

  Note: Borrowers enlisted in a reserve component of the Armed Forces or the National Guard (while on active duty status in the Army or Air Force Reserves) may qualify for this deferment only if:

  (1) serving full time for a period expected to last at least one year, or

  (2) serving under an order for national mobilization.

- Serving full time as an officer in the Commissioned Corps of the **PUBLIC HEALTH SERVICE** (For Federal Stafford and SLS loan borrowers and Federal PLUS loans made before 8/15/83. Maximum eligibility is three years. This is a combined limit with Armed Forces and NOAA deferments.)
- On active duty in the **NOAA** (National Oceanic Atmospheric Administration) (For Federal Stafford and SLS loan borrowers whose first loans were made on or after 7/1/87. Maximum eligibility is three years. This is a combined limit with Armed Forces and Public Health Service deferments.)
- Serving in the **PEACE CORPS** (For Federal Stafford and SLS loan borrowers and Federal PLUS loans made before 8/15/83. Maximum eligibility is three years.)

  To qualify, I must have agreed to serve for a period of at least one year.

- A full-time paid volunteer in the **ACTION Programs** (For Federal Stafford and SLS loan borrowers and Federal PLUS loans made before 8/15/83. Maximum eligibility is three years.)

  To qualify, I must have agreed to serve for a period of at least one year.

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  (1) be serving full-time in a tax-exempt organization, as defined in Section 501 (c)(3) of the Internal Revenue Code of 1986;

  (2) assist low income people and their communities in eliminating poverty and poverty-related human, social, and environmental conditions;

  (3) not earn more than the Federal minimum wage;

  (4) [redacted] ← relevant part - says "not engaged in religious..."

  (5) have agreed to serve for a period of at least one year.

Authorized Certifying Officials

- Commanding or Personnel Officer *(Armed Forces Deferment)*
- Authorized Official of the US Public Health Service *(Public Health Service Deferment)*
- Authorized Official of the NOAA Corps *(NOAA Deferment)*
- Authorized Official of the Peace Corps *(Peace Corps Deferment)*
- Authorized Official of the ACTION Program *(ACTION Program Deferment)*
- Authorized Official of the Volunteer Program *(Tax-Exempt Organization Deferment)*

Section 4—Lender/Servicer Information

Name of Lender/Servicer LOAN SERVICING CENTER

Address P.O. BOX 59001

City, State, Zip PANAMA CITY FL 32412-9001

Telephone Number (888) 272-5543

For Lender Use Only:

Rev 3/11/94

RS10 17DRS0 1754

4791367591

EAPE
Kingdomworks

Tony Campolo, President

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City, State, Zip PANAMA CITY FL 32412-9001

Telephone Number (888) 272-5543

For Lender Use Only:

Rev 3/11/94

Larry Slagle 8/13

Loan deferrance
giving deferments on students loan for those involved in faith based work
running into some snags; where to turn

religious based activities; deferment of the loan for

Sallie Mae "not engage in religion related activities as part of my duties"

next month;

FAX COVER

Education Branch
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503

TO: Diane Fortune

FAX NUMBER: 6-7431

FROM: Pat Smith

DATE: ____________ **TIME:** ____________

NUMBER OF PAGES: Cover + ________

Notes:

Education Branch Fax Number: 202/395-4875
Voice Confirmation: 202/395-5880

SUBSIDIZED DEFERMENTS FOR SERVICE

Proposal: **Any college student who took a year off to do service would be eligible to have the Federal government pay all interest on their Federal student loans for that period.**

Pat Smith 5.5882

Pricing Assumptions

1. Students performing community service who have *subsidized* loans, available only to needy students, are now eligible to receive Federal interest payments during such deferments, on the basis of economic hardship. Additional costs would occur only for students with *unsubsidized* Stafford loans, available to all borrowers.

2. Historically, in 2- and 4-yr. institutions, 7% of both subsidized and unsubsidized borrowers entering repayment request a deferment. Of that group requesting a deferment, 3% request a service-related deferment.

3 The Education Department estimates that covering the one-year interest costs of borrowers with unsubsidized loans (or of the portion of their loans that are unsubsidized) would cost **$7 milion over five years**. This estimate does *not include any inducement effect* of the added Federal subsidy.

4. Studies of somewhat analogous loan forgiveness programs suggest that there is no significant inducement effect in these kinds of programs. However, if we were to assume a significant inducement factor, doubling the number of student borrowers who would choose to perform a year of service, then the five year costs would be $14 million.

Will Campolo's program earn a deferment?
- defer
- Religious??

- sub v. unsub distinction
- offset is tough

Effective 1998
→ offset
Higher Ed reauth
Summer 99

must be of svc program

Legislative
McLaughlin 205.2987
student loan progr

Prevent all from switching to svc.

- Kathy Stack
- Maureen McL.

$800/yr.

Campolo - who student apply
- 300-400 of 1.5 m
- [illegible]

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

FACSIMILE COVER SHEET
600 INDEPENDENCE AVENUE, SW
ROOM 4050, BUILDING ROB-3
WASHINGTON, DC 20202/5121
Telephone Number: (202) 708-9069
FAX Number: (202) 708-9107
POLICY, BUDGET, AND ANALYSIS STAFF

DATE: 4/25/97 *NUMBER OF PAGES, INCLUDING COVER PAGE* 3

TO: DIANA FORTUNA - DPC *FAX NUMBER:* 456-7431

*SALLY KIRKGASLER, DIRECTOR*____ *ROSE FLETCHER,* PROGRAM ASSISTANT____

Policy and Budget Development Unit		Forecasting and Policy Analysis Unit	X
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REMARKS: HERE'S AN EXAMPLE. MOST AMORTIZATIONS ARE FIXED-PAYMENT 10-YEAR NOTES. UNDER FORD DIRECT LOANS, A BORROWER MAY CHOOSE 'EXTENDED TERM'. FOR LOANS BETWEEN $10,000 AND $20,000 THE TERM IS 15 YEARS. ALSO INCLUDED IS THE MATRIX FOR DETERMINING INITIAL YEAR MONTHLY PAYMENTS FOR INCOME-

	Gross Income	
	Monthly	Annual
Minimum wage	$ 823.33	$ 9,880
Poverty level, family of 2	884.17	10,610

	Repayment Period	
	10 years	15 years
Monthly student loan payment per $1,000 borrowed (equal monthly payments, 8.25% interest rate)	$ 12.27	$ 9.70

Monthly payments at 8.25% interest.	Loan Amounts		
	$ 12,500	$ 13,700	$ 15,000
10 years	153.38	168.10	184.05
15 years	121.25	132.89	145.50

Example for the average borrower:

Monthly payment, $13,700 at 8.25% interest.	$ 168.10
Monthly income, poverty level, family of 2	884.17
Maximum Income for "economic hardship"	
Monthly	$ 1,052
Annual	$ 12,627

The average debt for a recent college graduate who borrowed federal loans is $13,700.

Income Contingent Repayment Plan
Sample First-Year Monthly Repayment Amounts for a Single Borrower at Various Income and Debt Levels

	Initial Debt																							
Income	$2,500	$5,000	$7,500	$10,000	$12,500	$15,000	$17,500	$20,000	$22,500	$25,000	$30,000	$35,000	$40,000	$45,000	$50,000	$55,000	$60,000	$65,000	$70,000	$75,000	$80,000	$85,000	$90,000	$100,000
$1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8,000	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
9,000	16	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21
10,000	16	32	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38
12,500	16	33	49	66	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79
15,000	18	35	53	71	88	106	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121	121
17,500	19	38	57	76	95	114	133	152	163	163	163	163	163	163	163	163	163	163	163	163	163	163	163	163
20,000	21	41	62	82	103	123	144	165	185	204	204	204	204	204	204	204	204	204	204	204	204	204	204	204
22,500	22	44	66	88	111	133	155	177	199	221	248	248	248	248	248	248	248	248	248	248	248	248	248	248
25,000	23	46	69	93	116	139	162	185	208	231	278	288	288	288	288	288	288	288	288	288	288	288	288	288
30,000	25	50	76	101	126	151	177	202	227	252	303	353	371	371	371	371	371	371	371	371	371	371	371	371
35,000	27	55	82	110	137	164	192	219	247	274	329	384	438	464	464	464	464	464	464	464	464	464	464	464
40,000	27	55	82	110	137	164	192	219	247	274	329	384	438	493	538	538	538	538	538	538	538	538	538	538
45,000	28	57	86	114	143	171	200	228	257	285	342	399	456	513	570	621	621	621	621	621	621	621	621	621
50,000	30	61	91	122	152	182	213	243	274	304	365	426	487	547	608	669	704	704	704	704	704	704	704	704
55,000	32	63	95	127	158	190	221	253	285	316	380	443	506	569	633	696	759	788	788	788	788	788	788	788
60,000	33	66	99	131	164	197	229	262	295	328	393	459	524	590	656	721	786	852	871	871	871	871	871	871
65,000	34	68	102	136	169	203	237	271	305	339	407	474	542	610	678	746	813	881	949	954	954	954	954	954
70,000	35	70	104	139	174	209	243	278	313	348	417	487	557	626	696	766	835	904	974	1,038	1,038	1,038	1,038	1,038
75,000	36	71	107	143	178	214	250	285	321	357	428	500	571	642	714	785	856	928	999	1,071	1,121	1,121	1,121	1,121
80,000	37	73	110	146	183	220	256	293	329	366	439	512	585	659	732	805	878	951	1,024	1,098	1,171	1,204	1,204	1,204
85,000	37	75	112	150	187	225	262	300	337	375	450	525	600	675	750	825	900	975	1,050	1,125	1,199	1,274	1,288	1,288
90,000	38	77	115	154	192	230	269	307	345	384	461	537	614	691	768	844	921	998	1,075	1,151	1,228	1,305	1,371	1,371
95,000	39	79	118	157	196	236	275	314	354	393	471	550	628	707	786	864	943	1,021	1,100	1,178	1,257	1,336	1,414	1,464
100,000	40	80	121	161	201	241	281	321	362	402	482	562	643	723	804	884	964	1,045	1,125	1,205	1,286	1,366	1,446	1,530

comparable to 10-year fixed pmt amortization

Sample repayment amounts are based on an interest rate of 8.25%.

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Public >50K
Private >120K

~~45-60K~~

Subsid-Stafford

Holleman_Direct:

	Direct	Bank/FFEL
sub		
unsub		

Unsub -
→ Fed guar, Direct

	Gross Income	
	Monthly	Annual
Minimum wage	$ 823.33	$ 9,880
Poverty level, family of 2	884.17	10,610

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2,400
1m

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1.6m - act95
1.8m - proj96
2 million

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12,000 →

Holleman → 7-241-0049
Pager 1800 Sky Gram 472-1374

Shireman

Kinc 2-364.4421

Madzelan

Longanecker home 7-506-9684
W ~~401~~ 708.5547

Used participation prior to reform
Right, but shld have assumed increased incentives

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4,000	0	0	0	0	0	0	0	0	0	0	0	0
5,000	0	0	0	0	0	0	0	0	0	0	0	0
6,000	0	0	0	0	0	0	0	0	0	0	0	0
7,000	0	0	0	0	0	0	0	0	0	0	0	0
8,000	5	5	5	6	6	5	6	5	6	6	5	6
9,000	16	21	21	21	21	21	21	21	21	21	21	21
10,000	16	32	38	38	38	38	38	38	38	38	38	38
12,500	16	33	49	66	79	79	79	79	79	79	79	79
15,000	18	35	53	71	88	108	121	121	121	121	121	121
17,500	19	38	67	78	95	114	133	152	163	163	163	163
20,000	21	41	62	82	103	123	144	165	185	204	204	204
22,500	22	44	66	89	111	133	156	177	199	221	240	246
25,000	23	46	69	93	116	139	162	185	208	231	278	288
30,000	25	50	76	101	126	151	177	202	227	252	303	353
35,000	27	55	82	110	137	164	192	219	247	274	329	384
40,000	27	55	82	110	137	164	192	219	247	274	329	384
45,000	29	57	86	114	143	171	200	228	257	285	342	399
50,000	30	61	91	122	152	182	213	243	274	304	365	426
55,000	32	63	95	127	158	190	221	253	285	316	380	443
60,000	33	66	99	131	164	197	229	262	295	326	393	459
65,000	34	68	102	136	169	203	237	271	305	339	407	474
70,000	35	70	104	139	174	209	243	278	313	348	417	487
75,000	36	71	107	143	178	214	250	285	321	357	428	500
80,000	37	73	110	146	183	220	256	293	329	366	439	512
85,000	37	75	112	150	187	225	262	300	337	375	450	525
90,000	38	77	115	154	192	230	269	307	345	384	461	537
95,000	39	79	118	157	196	236	275	314	354	393	471	550
100,000	40	80	121	161	201	241	281	321	362	402	482	562

Income	$40,000	$45,000	$50,000	$55,000	$60,000	$65,000	$70,000	$75,000	$80,000	$85,000	$90,000	$100,000
$1,000	0	0	0	0	0	0	0	0	0	0	0	0
2,000	0	0	0	0	0	0	0	0	0	0	0	0
3,000	0	0	0	0	0	0	0	0	0	0	0	0
4,000	0	0	0	0	0	0	0	0	0	0	0	0
5,000	0	0	0	0	0	0	0	0	0	0	0	0
6,000	0	0	0	0	0	0	0	0	0	0	0	0
7,000	0	0	0	0	0	0	0	0	0	0	0	0
8,000	5	5	5	6	6	5	6	6	5	6	6	5
9,000	21	21	21	21	21	21	21	21	21	21	21	21
10,000	38	38	38	38	38	38	38	38	38	38	38	38
12,500	79	79	79	79	79	79	79	79	79	79	79	79
15,000	121	121	121	121	121	121	121	121	121	121	121	121
17,500	163	163	163	163	163	163	163	163	163	163	163	163
20,000	204	204	204	204	204	204	204	204	204	204	204	204
22,500	246	246	246	246	246	246	246	246	246	246	246	246
25,000	288	288	288	288	288	288	288	288	288	288	288	288
30,000	371	371	371	371	371	371	371	371	371	371	371	371
35,000	438	454	454	454	454	454	454	454	454	454	454	454
40,000	438	493	538	538	538	538	538	538	538	538	538	538
45,000	456	513	570	621	621	621	621	621	621	621	621	621
50,000	487	547	608	669	704	704	704	704	704	704	704	704
55,000	508	569	633	699	750	788	788	788	788	788	788	788
60,000	524	590	656	721	786	852	871	871	871	871	871	871
65,000	542	610	678	746	813	881	949	954	954	954	954	954
70,000	557	626	696	765	836	904	974	1,038	1,038	1,038	1,038	1,038
75,000	571	642	714	785	856	928	998	1,071	1,121	1,121	1,121	1,121
80,000	586	659	732	805	878	951	1,024	1,098	1,171	1,204	1,204	1,204
85,000	600	675	750	825	900	975	1,050	1,125	1,199	1,274	1,288	1,288
90,000	614	691	768	844	921	998	1,075	1,151	1,228	1,305	1,371	1,371
95,000	628	707	786	864	943	1,021	1,100	1,178	1,257	1,338	1,414	1,464
100,000	643	723	804	884	964	1,045	1,125	1,205	1,286	1,368	1,446	1,538

comparable to 10-year fixed pmt amortization

Sample repayment amounts are based on an interest rate of 8.25%.

Fax to John
Gomperts
From Diana
Fortuna
5 pages

March 25, 1997

The Reverend Tony Campolo
Eastern College
10 Fairview Drive
St. Davids, Pennsylvania 19087-3696

Dear Tony:

Thanks so much for your kind words on <u>Nightline</u> and for your recent letter. I also want to thank you again for your participation in the National Prayer Service on Inauguration Day -- your words were so uplifting and meant a lot to me.

I deeply appreciate your support and enthusiasm for the Presidents' Summit for America's Future. Your new program for involving college men and women in service to poor urban communities sounds very promising. You'll be pleased to know that the federal government can help those who serve as full-time volunteers without pay. I've asked the Department of Education to provide you with information on how students who take very low income jobs after school can qualify for economic hardship deferments of up to three years on their student loans.

Thanks, too, for sending the prayers by George Eliot. I enjoyed reading them, and they are, indeed, quite appropriate. As always, I am grateful for your wise, spiritual counsel.

Talk to you soon.

Sincerely, Bill

BC/LIJ/RLM/RSM/RLM/JAD/JAD/emu-lynn-lynn-jfc-ckb-efr-efr-emu-emu-ws-emu-ech-efr-lynn
(Corres. #3415264)
(3.campolo.t)

cc: Secretary Riley, Dept. of Education, w/copy of inc.
cc: J.Dorskind/TDS 94
cc: Mike Cohen, 218, w/copy of inc.
cc: Bob Shireman, 8236, w/copy of inc.
cc: Diana Fortuna, 224, w/copy of inc.
cc: Scott Michaud, 96 OEOB
Xeroxed copy of personally signed original to NH through Todd Stern
CLEAR THRU TODD STERN

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1. Pres
2. pre

February 18, 1997

'97 FEB 19 PM5:38

President Bill Clinton
The White House
West Wing
Washington, DC 20500-2000

Dear Mr. President:

Please accept my gratitude for the incredible opportunity that you provided for me when you asked me to share in the National Prayer Service on the day of the Inauguration. It was one of the highlights of my life. It was a privilege to share the Gospel not only with you, but with millions of Americans who participated in that special service via television.

I also wanted to strongly commend you for calling the Summit On Voluntarism. Needless to say, you not only have my support but the support of Americans all across the nation. The response everywhere I go is a response of enthusiasm. The outpouring of commitments to heed your call for public service is truly amazing. I am convinced that the initiative for calling this conference came from a power that is even higher than the White House.

I met with Harris Wofford this past Sunday evening to discuss ways in which the religious and educational sectors of America could optimize this opportunity to challenge their people to serve the poor and the needy. Harris was especially enthusiastic about a new coalition of organizations which I have helped to call together with the expressed purpose of getting college students to serve poor urban neighborhoods through church-based programs. This coalition includes the following organizations:

1. Intervarsity Christian Fellowship
2. The National Association of Evangelicals
3. The Coalition for Christian Colleges and Universities
3. The African-American Ten Point Coalition
4. The Hispanic Clergy
5. The Youth Ministries of Mainline Denominations
6. Compassion International

We will be asking college-aged men and women to take off school for a year in order to serve in church-based ministries in urban neighborhoods. We expect to recruit as many as ten thousand young people who would be willing to take off a year either between their sophomore and junior years of education or following graduation. We have already secured sufficient financial resources to make this program a success. The response to the invitation to serve gives us certainty that the human resources to make this program a success will be available.

Our plan is to put together teams of five collegians and place them in urban churches where they will do door to door visitation. They will speak to and listen to community people, initiate after-school programs for tutoring and for cultural enrichment and work in neighborhood public schools as volunteers. One of their primary commitments will be to get parents involved in the education of their children. The name of this movement is called Mission Year.

EASTERN COLLEGE · 10 Fairview Drive · Saint Davids, Pennsylvania 19087-3696 · Telephone 610-341-5800

President Clinton
Page 2

There is one great need that must be met to facilitate this huge outpouring of volunteers. There must be some means devised whereby paybacks on student loans can be deferred for a year. We know we can get thousands of young people to commit themselves, but they will find themselves unable to live out that commitment unless such deferments are arranged. Immediately upon stopping their education in order to volunteer, they would be expected to start payment on student loans given our present system. Most of them would not be in a position to do so if they are serving without pay - which will be the case. Is there something that you can do? Can legislation be initiated that could make the needed deferments a possibility?

On a more spiritual note, I came across a couple of prayers written by George Eliot. As I read them, I thought that these would be prayers that would be meaningful to you.

AT HIS FEET

As soon as we lay ourselves entirely at His feet, we have enough light given us to guide our own steps; as the foot-soldier, who hears nothing of the councils that determine the course of the great battle he is in, hears plainly enough the word of command which he must himself obey.

A RIVER

You are seeking some good other than the law you are bound to obey. But how will you find good? It is not a thing of choice; it is a river that flows from the foot of the Invisible Throne, and flows by the path of obedience. I say again, man cannot choose his duties. You may choose to forsake your duties, and choose not to have the sorrow they bring. But you will go forth, and what will you find? Sorrow without duty - bitter herbs, and no bread with them.

One last thing! You must know that people all across America are praying for you, especially in these difficult days. But I want to remind you of the most important responsibility that you have as the President, and that is to pray for all of us. People in leadership must not only lead, they must pray for those that they lead. God expects those to whom He gives authority to pray for those over whom that authority is exercised. Pray for us Mr. President even as we pray for you.

Your friend,

Tony

TONY CAMPOLO

TC:dmor

Deferrals 1992 - ed hardship
- svc
- milit
Income Cont 1993

CLINTON ADMINISTRATION ACCOMPLISHMENTS ON SERVICE

"I want to establish a system of voluntary national service for all Americans. In a Clinton Administration, we'll put forth a domestic G.I. Bill that will say to the middle class as well as low-income people: we want you to go to college, we'll pay for it, it will be the best money we ever spent, but you've got to give something back to your country in return. As President, I'll set up a trust fund out of which any American can borrow money for a college education, so long as they pay it back either as a small percentage of their income over time, or with a couple of years of national service as teachers, police officers, child care workers -- doing work our country desperately needs."

-- Governor Bill Clinton, October 23, 1991

- **Creation of AmeriCorps** -- Established in 1993 by President Clinton and a bipartisan majority in Congress, AmeriCorps makes it possible for young people to earn scholarships for college in exchange for a year of community service. Today, 25,000 AmeriCorps members are serving in over 1,100 communities across America. Already, 50,000 AmeriCorps participants have earned college tuition by serving their communities.

  Opportunity for those who take responsibility for their community -- In exchange for a year of full-time service, AmeriCorps members earn educational opportunity -- a $4,725 scholarship that helps pay for college, or pays back student loans.

  A new way to meet community needs -- AmeriCorps is getting things done, whether it's by teaching children to read, helping children get immunizations, doing environmental work like river clean-ups, fighting crime, renovating housing, or working on disaster relief, as in the recent floods in North Dakota. AmeriCorps members also help volunteers get more done -- a typical AmeriCorps member trains or recruits a dozen volunteers.

- **Making it Possible for Young People to Serve** -- Thanks to the President's income contingent repayment plan enacted in 1993, young people can take low-paying service jobs and keep their student loan payments affordable. In addition, the President's 1998 budget would encourage service by no longer treating loan forgiveness due to service as taxable income -- so that students whose universities forgive their loans because they have taken a low-paying service job will no longer have to pay taxes on it.

- **Learn and Serve America** -- Created by President Clinton with the support of Congress, Learn and Serve provides grants to involve elementary, secondary, and college students in community service that complements their classroom studies. More than 750,000 students currently provide needed services to their communities through Learn and Serve America.

- **National Service Scholars Program** -- Created by President Clinton, the National Service Scholars program is an opportunity for schools and communities to recognize young people for outstanding volunteer service while helping them continue their education. Beginning this year, the Corporation for National Service is offering a matching $500 scholarship for one high school junior or senior selected by each principal in schools nationwide.

- **America Reads Challenge** -- President Clinton's America Reads Challenge will mobilize AmeriCorps members, skilled reading specialists, parents, and an army of one million trained volunteer reading tutors to ensure that every student can read independently and well by the end of the 3rd grade.

- **National Senior Service Corps:** Half a million older Americans are engaged in service to young people, other seniors, and their communities through three Corporation programs -- Foster Grandparents, Senior Companions, and the Retired and Senior Volunteer Program (RSVP).

- **Peace Corps** -- Since January 1993, more than 20,000 Americans have served as Peace Corps volunteers in developing countries around the world. Peace Corps volunteers return home to share their spirit of service with communities across our nation. Under President Clinton's leadership, Peace Corps volunteers have returned to Haiti and will be serving in South Africa and Jordan for the first time ever. In June 1996, President Clinton announced the formation of the "Crisis Corps," a new Peace Corps program allowing volunteers and returned volunteers to provide short-term assistance during humanitarian crises and natural disasters.

~~Im students~~
~~3% = 3,000/yr~~
~~x 5 yrs~~
~~15,000~~
~~x 4,000/yr~~
~~60,000~~

0.24%
0.3%
2,211 TFA
all AmeriCorps

Kathryn B. Stack
04/23/97 09:48:54 AM

Record Type: Record

To: Robert M. Shireman/OPD/EOP
cc: Patricia A. Smith/OMB/EOP
Subject: Re: I'm all confused

3 years
2 basic deferments (other than back to sch)
1) ≤ 3 yrs - US
2) ≤ 3 yrs - ec hardship

It's my understanding from Pat that the specific "service" deferment that used to be in statute and regulations no longer exists. But the current "economic hardship" deferment covers students getting *subsidized* loans that take a year off to do service (assuming those doing "service" get no or very little income).

The DPC proposal -- as we see it -- would require extending the same deferment eligibility to students with unsubsidized loans. William estimated the cost at $7 million over five years, assuming no inducement effect, and historical data that show 3% of those individuals that request a deferment do so for "service-related" reasons.

I faxed Maureen the one page sheet we gave Diana, that includes the info William gave us. It would be good if Maureen could take a hard look to see if she agrees with William's assumptions (his cost estimate seems quite low).

→ Maureen

So many loan deferment
simplified in 92
sep the deferment

created in 1992
3 cases
Stafford

SU subsid - 1/3
2/3 Stafford

Perkins - diff
- much smaller

Direct	Guaranteed
$ → student	Banks - loan

Economic Hardship - new loans

shall provide the lender with a statement certifying that she—

(i) Is the mother of a preschool-age child;

(ii) Entered or reentered the workforce not more than one year before the beginning date of the period for which the deferment is being sought;

(iii) Is currently engaged in full-time employment; and

(iv) Does not receive compensation that exceeds $1 per hour above the rate prescribed under section 6 of the Fair Labor Standards Act of 1938 (the Federal minimum wage).

(2) In addition to the certification required under paragraph (r)(1) of this section, the borrower shall provide to the lender documents demonstrating the age of her child (e.g., a birth certificate) and the rate of her compensation (e.g., a pay stub showing her hourly rate of pay).

(3) For purposes of this paragraph—

(i) A preschool-age child is one who has not yet enrolled in first grade or a higher grade in elementary school; and

(ii) Full-time employment involves at least 30 hours of work a week and is expected to last at least 3 months.

(Approved by the Office of Management and Budget under control number 1840-0538)

(Authority: 20 U.S.C. 1077, 1078, 1078-1, 1078-2, 1078-3, 1082, 1085)

[57 FR 60323, Dec. 18, 1992, as amended at 58 FR 9120, Feb. 19, 1993; 59 FR 25746, May 17, 1994]

EFFECTIVE DATE NOTES: 1. At 59 FR 25746, May 17, 1994, in § 682.210, in paragraph (a)(3)(ii), after the word "loan", "for which the application was received by an eligible lender on or after January 1, 1993" was added; in paragraph (a)(8), the phrase "as to that loan" was removed; in paragraph (b)(6) introductory text, after the word "when", "the" was removed and "a" was added in its place; in paragraph (c)(3), before "SLS", "an" was removed and "a Stafford," was added in its place, after the word "application", "or other form certified by the school or for multiple holders of a borrower's loans, shared data from the Student Status Confirmation Report," was added, after the word "outstanding", "Stafford," was added, and "that is held by the lender" was removed, effective either 45 days from the date of publication in the FEDERAL REGISTER or later if Congress takes certain adjournments.

2. At 59 FR 33594, June 29, 1994 § 682.210 was amended by revising paragraph (a)(1); by adding a new paragraph (a)(11); by revising paragraph (c)(4); and by adding a new paragraph (s), effective July 1, 1995 or after the information collection requirements contained in this section have been approved by the Office of Management and Budget, whichever is later. A document announcing the effective date will be published in the FEDERAL REGISTER. For the convenience of the reader, the revised text is set forth below.

§ 682.210 Deferment.

(a) General. (1)(i) A borrower is entitled to have periodic installment payments of principal deferred during authorized periods after the beginning of the repayment period, pursuant to paragraph (b) of this section.

(ii) With the exception of a deferment authorized under paragraph (o) of this section, a borrower may continue to receive a specific type of deferment that is limited to a maximum period of time only if the total amount of time that the borrower has received the deferment does not exceed the maximum time period allowed for the deferment.

* * * * *

(11) If two individuals are jointly liable for repayment of a PLUS loan or a Consolidation loan, the lender shall grant a request for deferment if both individuals simultaneously meet the requirements of this section for receiving the same, or different deferments.

* * * * *

(c) * * *

(4) A borrower serving in a medical internship residency program, except for an internship in dentistry, is prohibited from receiving or continuing a deferment on a Stafford, SLS, or Consolidation loan under paragraph (c) of this section.

* * * * *

(s) *Deferments for new borrowers on or after July 1, 1993*—

(1) *General.* A new borrower who receives an FFEL Program loan first disbursed on or after July 1, 1993 is entitled to receive deferments under paragraphs (s)(2) through (s)(6) of this section. For purposes of this section, a "new borrower" is an individual who has no outstanding principal or interest balance on an FFEL Program loan as of July 1, 1993 or on the date he or she obtains a loan on or after July 1, 1993. This term also includes a borrower who obtains a Federal Consolidation Loan on or after July 1, 1993 if the borrower has no other outstanding FFEL Program loan when the Consolidation Loan was made.

(2) *Student deferment.* An eligible borrower is entitled to a deferment for at least half-

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time study in accordance with the rules prescribed in §682.210(c), except that the borrower is not required to obtain a Stafford or SLS loan for the period of enrollment covered by the deferment.

(3) *Graduate fellowship deferment.* An eligible borrower is entitled to a graduate fellowship deferment in accordance with the rules prescribed in §682.210(d).

(4) *Rehabilitation training program deferment.* An eligible borrower is entitled to a rehabilitation training program deferment in accordance with the rules prescribed in §682.210(e).

(5) *Unemployment deferment.* An eligible borrower is entitled to an unemployment deferment in accordance with the rules prescribed in §682.210(h) for periods that, collectively, do not exceed 3 years.

(6) *Economic hardship deferment.* An eligible borrower is entitled to an economic hardship deferment for periods of up to one year at a time that, collectively, do not exceed 3 years, if the borrower provides documentation satisfactory to the lender showing that the borrower—

(i) Has been granted an economic hardship deferment under either the FDSL or Federal Perkins Loan Programs for the period of time for which the borrower has requested an economic hardship deferment for his or her FFEL loan;

(ii) Is receiving payment under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance;

(iii) Is working full-time and earning a total monthly gross income that does not exceed the greater of—

(A) The minimum wage rate described in section 6 of the Fair Labor Standards Act of 1938; or $210 x 52 = 10,000/11,000

(B) An amount equal to 100 percent of the poverty line for a family of two as determined in accordance with section 673(2) of the Community Service Block Grant Act; or

(iv) Is not receiving total monthly gross income that exceeds twice the amount specified in paragraph (s)(6)(iii) of this section and, after deducting an amount equal to the borrower's monthly payments on federal postsecondary education loans, as determined under paragraph (s)(6)(viii) of this section, the remaining amount of that income does not exceed the amount specified in paragraph (s)(6)(iii) of this section.

(v) For a deferment granted under paragraph (s)(6)(iv) of this section, the lender shall require the borrower to submit at least the following documentation to qualify for an initial period of deferment—

(A) Evidence showing the amount of the borrower's most recent total monthly gross income, as defined in paragraph (s)(6)(ix) of this section; and

(B) Evidence that would enable the lender to determine the amount of the monthly payments that would have been owed by the borrower during the deferment period to other entities for federal postsecondary education loans in accordance with paragraph (s)(6)(viii) of this section.

(vi) To qualify for a subsequent period of deferment that begins less than one year after the end of a period of deferment under paragraphs (s)(6)(iii) or (iv) of this section, the lender shall require the borrower to submit a copy of the borrower's federal income tax return if the borrower filed a tax return within eight months prior to the date the deferment is requested.

(vii) For purposes of paragraph (s)(6)(iii) of this section, a borrower is considered to be working full-time if the borrower is expected to be employed for at least three consecutive months at 30 hours per week.

(viii) In determining a borrower's eligibility for an economic hardship deferment under paragraph (s)(6) of this section, the lender shall count only the monthly payment amount (or a proportional share if the payments are due less frequently than monthly) that would have been owed on a federal postsecondary education loan if the loan had been scheduled to be repaid in 10 years from the date the borrower entered repayment, regardless of the length of the borrower's actual repayment schedule or the actual monthly payment amount (if any) that would be owed during the period that the borrower requested an economic hardship deferment.

(ix) For purposes of paragraph (s)(6) of this section, a borrower's total monthly gross income shall be the gross amount of income received by the borrower from employment (either full-time or part-time) and from other sources.

(Authority: 20 U.S.C. 1077, 1078, 1078-1, 1078-2, 1078-3, 1082, 1085)

§682.211 Forbearance.

(a)(1) The Secretary encourages a lender to grant forbearance for the benefit of a borrower or endorser in order to prevent the borrower or endorser from defaulting on the borrower's or endorser's repayment obligation, or to permit the borrower or endorser to resume honoring that obligation after default. *Forbearance* means permitting the temporary cessation of payments, allowing an extension of time for making payments, or temporarily accepting smaller payments than previously were scheduled.

(2) Subject to paragraph (h) of this section, a lender may grant forbear-

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Old loans only

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(1) That the borrower is engaged in full-time service as an officer in the Commissioned Corps of the USPHS;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's ~~service~~ is expected to end.

(k) *Peace Corps deferment.* To qualify for a deferment for service under the Peace Corps Act, the borrower shall provide the lender with a statement from an authorized official of the Peace Corps certifying—

(1) That the borrower has agreed to serve for a term of at least one year;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's service is expected to end.

(l) *Full-time volunteer service in the ACTION programs.* To qualify for a deferment as a full-time paid volunteer in an ACTION program, the borrower shall provide the lender with a statement from an authorized official of the program certifying—

(1) That the borrower has agreed to serve for a term of at least one year;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's service is expected to end

(m) *~~Deferment for full-time volunteer~~ service for a tax-exempt organization.* To qualify for a deferment as a full-time paid volunteer for a tax-exempt organization, a borrower shall provide the lender with a statement from an authorized official of the volunteer program certifying—

(1) That the borrower—

(i) Serves in an organization that has obtained an exemption from taxation under section 501(c)(3) of the Internal Revenue Code of 1986;

(ii) Provides service to low-income persons and their communities to assist them in eliminating poverty and poverty-related human, social, and environmental conditions;

(iii) Does not receive compensation that exceeds the rate prescribed under section 6 of the Fair Labor Standards Act of 1938 (the Federal minimum wage), except that the tax-exempt organization may provide health, retirement, and other fringe benefits to the volunteer that are substantially equivalent to the benefits offered to other employees of the organization;

(iv) Does not, as part of his or her duties, give religious instruction, conduct worship services, engage in religious proselytizing, or engage in fund-raising to support religious activities; and

(v) Has agreed to serve on a full-time basis for a term of at least one year;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's service is expected to end.

(n) *Internship or residency deferment.* (1) To qualify for an internship or residency deferment under paragraphs (b)(2)(v) or (b)(5)(iii) of this section, the borrower shall provide the lender with a statement from an authorized official of the organization with which the borrower is undertaking the internship or residency program certifying—

(i) That the internship or residency program is a supervised training program that requires the borrower to hold at least a baccalaureate degree prior to acceptance into the program;

(ii) That, except for a borrower that provides the statement from a State official described in paragraph (n)(2) of this section, the internship or residency program leads to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility that offers postgraduate training;

(iii) That the borrower has been accepted into the internship or residency program; and

(iv) The anticipated dates on which the borrower will begin and complete the internship or residency program, or, in the case of a borrower providing the statement described in paragraph (n)(2) of this section, the anticipated date on which the borrower will begin and complete the minimum period of participation in the internship program that the State requires be completed before an individual may be certified for professional practice or service.

(2) For a borrower who does not provide a statement certifying to the matters set forth in paragraph (n)(1)(ii) of this section to qualify for an internship deferment under paragraph (b)(2)(v) of this section, the borrower shall provide the lender with a statement from an official of the appropriate State l
agency certifying that the in
or residency program, or a
thereof, is required to be compl
fore the borrower may be cert
professional practice or service

(o) *Parental-leave deferment.*
qualify for the parent
deferment described in paragra
of this section, the borrower sl
vide the lender with—

(i) A statement from an au
official of a participating sch
tifying that the borrower was
on at least a half-time basis du
six months preceding the begi
the deferment period;

(ii) A statement from the
certifying that the borrower—

(A) Is pregnant, caring for h
newborn child, or caring for a
mediately following the place
the child with the borrower in
tion with an adoption;

(B) Is not, and will not be, a
school during the deferment
and

(C) Is not, and will not be, en
full-time employment dur
deferment period; and

(iii) A physician's stateme
onstrating the existence of
nancy, a birth certificate, or
ment from the adoption agenc
evidencing a pre-adoption plac

(2) For purposes of p
(o)(1)(ii)(C) of this section,
employment involves at least
of work per week and is ex
last at least three months.

(p) *NOAA deferment.* To qua
National Oceanic and Atmosp
ministration (NOAA) deferm
borrower shall provide the ler
a statement from an authoriz
of the NOAA corps, certifying-

(1) That the borrower is c
duty service in the NOAA corp

(2) The date on which the b
service began; and

(3) The date on which the b
service is expected to end.

(q) *Targeted teacher deferme*
qualify for a targeted
deferment under paragraph (t
this section, the borrower,
school year of service for
deferment is requested, mus
to the lender—

(A) 90 percent of the loan under this part;
(B) the interest due on such loan; and
(C) any collection fees due on such loan;

in a lump sum payment.

(20 U.S.C. 1087dd) Enacted June 23, 1972, P.L. 92–318, sec. 137(b), 86 Stat. 275, 277; amended October 12, 1976, P.L. 94–482, sec. 130(d), 130(c), 130(f), 130 (g)(1) and (g)(2), 90 Stat. 2147; amended June 15, 1977, P.L. 95–43, secs. 1(a)(39), 91 Stat. 217; amended October 3, 1980, P.L. 96–374, secs. 442(b) (4), (5), 443, 444, 445(b)(2), 446, 448(c), 1391, 94 Stat. 1440, 1441, 1442, 1443, 1503; amended August 13, 1981, P.L. 97–35, sec. 539, 95 Stat. 458; amended April 7, 1986, P.L. 99–272, sec. 16028, 100 Stat. 353; amended October 17, 1986, P.L. 99–498, sec. 405(a), 100 Stat. 1448; amended June 3, 1987, P.L. 100–50, sec. 13(i), 101 Stat. 349; amended July 18, 1988, P.L. 100–369, sec. 7(c), 102 Stat. 837; amended December 19, 1989, P.L. 101–239, sec. 2001(3), 103 Stat. 2111; amended July 23, 1992, P.L. 102–325, sec. 464, 106 Stat. 580; amended December 20, 1993, P.L. 103–208, sec. 2(f)(9)–(11), (m), 107 Stat. 2471, 2486.

SEC. 465. CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE. PERKINS LOA...

(a) CANCELLATION OF PERCENTAGE OF DEBT BASED ON YEARS OF QUALIFYING SERVICE.—(1) The percent specified in paragraph (3) of this subsection of the total amount of any loan made after June 30, 1972, from a student loan fund assisted under this part shall be canceled for each complete year of service after such date by the borrower under circumstances described in paragraph (2).

(2) Loans shall be canceled under paragraph (1) for service—

(A) as a full-time teacher for service in an academic year in a public or other nonprofit private elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to chapter 1 of the Education Consolidation and Improvement Act of 1981, and which for the purpose of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 111(c) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school;

(B) as a full-time staff member in a preschool program carried on under the Head Start Act which is operated for a period which is comparable to a full school year in the locality if the salary of such staff member is not more than the salary of a comparable employee of the local educational agency;

(C) as a full-time special education teacher, including teachers of infants, toddlers, children, or youth with disabilities in a public or other nonprofit elementary or secondary school system, or as a full-time qualified professional provider of early intervention services in a public or other nonprofit program under public supervision by the lead agency as authorized in section 676(b)(9) of the Individuals With Disabilities Education Act;

(D) as a member of the Armed Forces of the United States, for service that qualifies for special pay under section 310 of title 37, United States Code, as an area of hostilities;

(E) as a volunteer under the Peace Corps Act or a volunteer under the Domestic Volunteer Service Act of 1973;

(F) as a full-time law enforcement officer or corrections officer for service to local, State, or Federal law enforcement or corrections agencies;

(G) as a full-time teacher of mathematics, science, foreign languages, bilingual education, or any other field of expertise where the State educational agency determines there is a shortage of qualified teachers;

(H) as a full-time nurse or medical technician providing health care services; or

(I) as a full-time employee of a public or private nonprofit child or family service agency who is providing, or supervising the provision of, services to high-risk children who are from low-income communities and the families of such children.

For the purpose of this paragraph, the term "children with disabilities" has the meaning set forth in section 602(a)(1) of the Individuals with Disabilities Education Act.

(3)(A) The percent of a loan which shall be canceled under paragraph (1) of this subsection is—

(i) in the case of service described in subparagraph (A), (C), (F), (G), (H), or (I) of paragraph (2), at the rate of 15 percent for the first or second year of such service, 20 percent for the third or fourth year of such service, and 30 percent for the fifth year of such service;

(ii) in the case of service described in subparagraph (B) of paragraph (2), at the rate of 15 percent for each year of such service;

(iii) in the case of service described in subparagraph (D) of paragraph (2), not to exceed a total of 50 percent of such loan at the rate of 12½ percent for each year of qualifying service; or

(iv) in the case of service described in subparagraph (E) of paragraph (2) at the rate of 15 percent for the first or second year of such service and 20 percent for the third or fourth year of such service.

(B) If a portion of a loan is canceled under this subsection for any year, the entire amount of interest on such loan which accrues for such year shall be canceled.

(C) Nothing in this subsection shall be construed to authorize refunding of any repayment of a loan.

(4) For the purpose of this subsection, the term "year" where applied to service as a teacher means academic year as defined by the Secretary.

(5) The amount of a loan, and interest on a loan, which is canceled under this section shall not be considered income for purposes of the Internal Revenue Code of 1986.

(6) No borrower may, for the same volunteer service, receive a benefit under both this section and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.).

(b) REIMBURSEMENT FOR CANCELLATION.—The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of loans from its student loan fund which are canceled pursuant to this section for such year, minus an amount equal to the aggregate of the amounts of any such loans so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this subsection.

(c) SPECIAL RULES.—

(1) LIST.—If the list of schools in which a teacher may perform service pursuant to subsection (a)(2)(A) is not available before May 1 of any year, the Secretary may use the list for the year preceding the year for which the determination is made to make such service determination.

(2) CONTINUING ELIGIBILITY.—Any teacher who performs service in a school which—

(A) meets the requirements of subsection (a)(2)(A) in any year; and

(B) in a subsequent year fails to meet the requirements of such subsection,

may continue to teach in such school and shall be eligible for loan cancellation pursuant to subsection (a)(1) such subsequent years.

(20 U.S.C. 1087ee) Enacted June 23, 1972, P.L. 92–318, sec. 137(b), 86 Stat. 277, 278; amended Nov. 1, 1978, P.L. 95–561, sec. 1323, 92 Stat. 2363; amended October 3, 1980, P.L. 96–374, secs. 442(b)(6), 448 (d), (e), 1391, 94 Stat. 1440, 1443, 1503; amended October 17, 1986, P.L. 99–498, sec. 405(a), 100 Stat. 1451; amended June 3, 1987, P.L. 100–50, sec. 13(j), 101 Stat. 349; amended July 18, 1988, P.L. 100–369, sec. 7(c), 102 Stat. 837; amended November 29, 1990, P.L. 101–647, sec. 2101(a) and (b), 104 Stat. 4856; amended October 7, 1991, P.L. 102–119, sec. 26(h), 105 Stat. 607; amended July 23, 1992, P.L. 102–325, sec. 465(a)–(c), 106 Stat. 582; amended September 21, 1993, P.L. 103–82, sec. 102(c)(3), 107 Stat. 834; amended December 20, 1993, P.L. 103–208, sec. 2(f)(12)–(14), (k)(7), (m), 107 Stat. 2471, 2486.

SEC. 466. DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS.

(a) IN GENERAL.—After September 30, 1996, and not later than March 31, 1997, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

(1) The Secretary shall first be paid an amount which bears the same ratio to the balance in such fund at the close of September 30, 1996, as the total amount of the Federal capital contributions to such fund by the Secretary under this part bears to the sum of such Federal contributions and the institution's capital contributions to such fund.

(2) The remainder of such balance shall be paid to the institution.

(b) DISTRIBUTION OF LATE COLLECTIONS.—After March 31, 2005, each institution with which the Secretary has made an agreement under this part, shall pay to the Secretary the same proportionate share of amounts received by this institution after September 30, 1996, in payment of principal and interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the fund or from such payments of principal or interest), as was determined for the Secretary under subsection (a).

(c) DISTRIBUTION OF EXCESS CAPITAL.—(1) Upon a finding by the institution or the Secretary prior to October 1, 1997, that the

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

FAX TRANSMITTAL SHEET

DATE: 4/17/97

NUMBER OF SHEETS TO FOLLOW: 2

TO: Diana Fortuna

ADDRESSEE'S FAX #: 456-7028

ADDRESSEE'S CONFIRMATION #: 456-5587

FROM: Ben Nye

SENDER'S FAX #: 202-622-0073

SENDER'S CONFIRMATION #: 202-622-2735

SPECIAL INSTRUCTIONS/COMMENTS:

TAX INCENTIVES FOR EXPANSION OF STUDENT LOAN FORGIVENESS

Current Law

Generally, a taxpayer has income when all or part of a loan made to the taxpayer is forgiven. However, an exception is provided in section 108(f) for the forgiveness of certain student loans. If the United States, a State or local government, or a public benefit corporation with control over a state, county, or municipal hospital makes a loan to a student to support the student's attendance at an educational institution and subsequently forgives all or part of the loan, the income resulting from the cancellation of indebtedness is excluded from the student's income, provided the loan forgiveness is contingent on the student's working for a certain period of time in certain professions for any of a broad class of employers.

Reasons for Change

The Administration believes in encouraging Americans to use their education and training in community service. Providing tax relief in connection with the forgiveness of certain student loans will help make it possible for students with valuable professional skills to accept lower-paying jobs that serve the public.

Proposal

The income exclusion for student loan forgiveness would be expanded to cover forgiveness of loans extended by nonprofit tax-exempt charitable or educational institutions to their students or graduates when the proceeds are to be used to repay outstanding student loans, provided the loan forgiveness is contingent on the student's working for a certain period of time in certain professions for any of a broad class of employers. The income exclusion would not be available where a loan is extended and then forgiven by an institution that employs the borrower. The exclusion would also be expanded to cover forgiveness of direct student loans made through the William D. Ford Federal Direct Loan Program where loan repayment and forgiveness are contingent on the borrower's income level.

The proposal would be effective with respect to amounts otherwise includable in income after the date of enactment.

Diana For Ana

provide education assistance.

To provide this incentive, the budget proposes that for taxable years beginning after December 31, 1997, and before January 1, 2001, small businesses would be allowed a 10 percent income tax credit for payments for education of employees under an employer-provided educational assistance program. A small business would be any employer with average annual gross receipts of $10 million or less for the prior three years. The proposal will help small businesses reduce the costs of providing educational opportunities for their employees. The extension of section 127 and the small business credit together are expected to benefit 1.7 million taxpayers.

Expanded Tax-Free Treatment for Forgiveness of Student Loans. The Administration believes in encouraging Americans to use their education and training in community service. Providing tax relief in connection with the forgiveness of certain student loans will help make it possible for students with valuable professional skills to accept lower-paying jobs that serve the public. To this end, the budget would eliminate the tax liability that normally arises when debt is forgiven if the lender is a charitable or educational institution that forgives an education loan after the student fulfills a commitment to perform community or public service at low pay for a certain period of time. The same tax-free treatment would also apply when the Federal government forgives a loan made through the direct student loan program for a student who has been making income-contingent repayments for an extended period.

Expanded Opportunities to Save for College Tax-Free

The Administration believes that individuals should be encouraged to save for the costs of higher education much as they do currently for retirement. It also believes that tax policies can provide valuable incentives to increase saving for education. Therefore, the Administration is proposing to expand IRAs and increase their flexibility to help lower and middle-income Americans save for their most important needs. By using an IRA to save for education and combining withdrawals from the IRA with the Administration's proposed tuition deduction, families will be able to save for college on an entirely tax-free basis.

The Administration's proposals would expand the availability of deductible individual retirement accounts (IRAs) to families with incomes under $100,000 and individuals with incomes under $70,000.[1] These thresholds, as well as the annual contribution limit of $2,000, would be indexed for inflation beginning in 2001. The President's plan would also create a new type of Special IRA. Instead of deducting the amount deposited in the IRA account (and paying tax on the contributions and earnings when withdrawn), the taxpayer would forgo an immediate deduction but would not pay tax on either the contributions or earnings when the funds are withdrawn, provided the contributions remain in the Special IRA for at least five years. Finally, the President's proposals would eliminate the penalty for early withdrawal when taxpayers took

---

[1] Beginning in 1997, eligibility would be phased out for couples filing joint returns with AGIs between $70,000 and $90,000 ($45,000 and $65,000 for single filers). Beginning in 2000, eligibility would be phased out for couples filing joint returns with AGIs between $80,000 and $100,000 ($50,000 and $70,000 for single filers).

Robert M. Shireman
04/26/97 11:34:39 AM

Record Type: Record

To: Diana Fortuna/OPD/EOP

cc:
Subject: Re: Text and a question

The only thing unclear about the write-up is whether the $600 is the annual amount on the average loans for these people, or a three-year benefit.

For most students, unsub loans supplement other (subsidized) loans that they may have. For example, a middle-income student at a state university would quite possible have a $3000 subsidized loan, then, on top of that, an unsub loan of another $4000. Obviously, the deferment is already taken care of on the subsidized loan. Basically, subsidized loans are means-tested -- but it goes pretty high up the income scale, especially at higher-cost schools.

THE WHITE HOUSE

Office of the Press Secretary
(Philadelphia, Pennsylvania)

For Immediate Release April 27, 1997

PRESS BRIEFING
BY
BRUCE REED, ELI SEGAL AND DIANE FORTUNA

The Wyndham Hotel
Philadelphia, Pennsylvania

3:54 P.M. EDT

MR. TOIV: We have Bruce Reed and Eli Segal to brief, answer your questions about the proposal the President announced today.

Bruce is the President's Domestic Policy Advisor. Eli is the founding CEO of AmeriCorps and currently a board member. And here they are.

MR. REED: Thank you, Barry. Let me explain how this interest deferment works. What the President announced on "Face The Nation" is that we will propose legislation as part of the higher education reauthorization later this summer to enable students who agree to do service to essentially defer the interest on their college loans during that period of service. The federal government would pay the costs of the interest during their service.

This option is already available to a number of students who have subsidized college loans. We are -- the action that we are proposing would expand it to students who have unsubsidized college loans, which is about one-third of the college loans all together. Our estimate is that this proposal would cost about $7 million over the five-year budget window and provide an average benefit of $600 to approximately 12,000 student borrowers who agreed to do service.

Q Those numbers again?

MR. REED: $7 million, over five years; 12,000 students, average benefit $600. I think that adds up.

And the type -- the students would be -- service here would be defined as working for a tax exempt organization or teaching in low income communities.

Any questions?

Q Do they have to work for free to --

MR. REED: No, no. These are generally low income. But it's a form of --

Q Is there any income consideration at all?

MR. REED: Well, a couple different ways to repay your loans if you should decide to go back to college and go into a low income service profession. Because of what the President did in 1993, we now have income contingent loans, which any student could choose. And if you have an income contingent loan and you go into a low income service profession, you end up not paying very much interest anyway because it's a percentage of your income, and if your income is very low you wouldn't have much to pay.

MORE

But this particular provision is for unsubsidized loans. Many of these people would be earning an income, but it's a very low income. And so the government is essentially stepping in, recognizing their economic hardship, paying the interest on their loan for that period. And then they'll repay the loan once they go into another profession and are earning the money to pay it back.

Q How long can you defer for? Is there a set --

MR. REED: Up to three years.

Q And it would be $600 a year?

MR. REED: Yes.

Q Are the employees at the Departments of Transportation and Defense, who are going to do all this tutoring, is that during work hours and they'll be paid to take, like, an hour a week or a month to do it?

MR. REED: Different agencies have different policies on how mentoring and tutoring and volunteering will work during the work day. It's basically at the agency's option. I think the law requires that employees can only do paid service during the work time if it's related to the mission of the department. So, for example, the Education Department does allow employees to go and mentor in schools during the work day. And a lot of other agencies the employees will -- if they mentor for an hour during the day, they'll make up that hour over the course of the work week.

Q Bruce, is the loan program primarily, then, for students coming from upper middle class families if it's for those who are getting unsubsidized loans?

MR. REED: Middle class.

Q Middle class families?

MR. REED: Yes.

Q And this is a very different kind of program than AmeriCorps's; does this reflect some kind of changing or evolving philosophy?

MR. REED: Oh, not at all. This is, in addition to our continuing efforts to expand AmeriCorps, which has given 50,000 young people the chance to earn substantial college scholarships in return for full-time service. And as I said, we've taken other measures to make the cost of college -- to make borrowing for college easier.

This really just closes a loophole in the law, a difference between subsidized loans and unsubsidized loans, and the idea was inspired by Reverend Tony Campolo here in Philadelphia, a minister who wants to encourage service and brought this general idea to the President's attention earlier in the year.

Q Why so few opportunities? Twelve thousand over three years is not very many.

MR. REED: That's just our estimate of the number of people who would go into service. It could turn out to be higher if there's a greater response.

Q Could you explain, Bruce, what the President was referring to in the interview when he talked about -- he indicated that these would be people supported by their religious congregations in some way?

MORE

MR. REED: I think that -- I may have to get back to you on the specifics of what Reverend Campolo intends to do.

Q I'm talking about the President's comments in the interview that he did.

MR. REED: In the "Face The Nation" interview. He was talking about Campolo. But in general, these are students who would be doing service with tax-exempt, nonprofit organizations. It could be religious organizations, it could be teaching in low-income as I said, and if they're making a salary, it would be provided by the organization they work for.

Q Bruce, let me just get this straight. So the government would pay the interest, correct?

MR. REED: Yes.

Q For the student loan?

MR. REED: Yes.

Q You say for up to three years?

MR. REED: Yes.

Q And --

MR. REED: Because this is a loan deferment, so it's not paying down the principal on the loan, it's just paying the interest over the period while the loan is being -- while repayment of the loan is being deferred.

Q Secondly, the other question, which I can't remember right now. I'll get back to you --

Q How is he proposing this, exactly? This is going up in what form to Congress? Or is this part of the budget process?

MR. REED: This summer we will propose reauthorization of the Higher Education Act, and it will include a provision on this, so this is something that would impact with the FY '99 budget.

Q And do you have any support in Congress for this already, Bruce?

MR. REED: No, just proposing this idea, and the legislation would go forward sometime in early summer.

Q Do you think you have any support in Congress for this kind of legislation?

MR. REED: I can't say for sure, but I think this is the sort of idea that would be relatively noncontroversial and could attract bipartisan support.

Q On the announcement today about the Department of Defense and Transportation tutoring, do you have any idea what the baseline is between how many they tutored in the last four years?

MR. REED: Do you know?

MS. FORTUNA: No, I don't. I don't have a clean baseline. They probably do 600,000 at the Navy; I don't know how many in the Army.

MR. REED: So the incremented Navy is 100,000.

MS. FORTUNA: One hundred thousand a year. And I don't know about transportation.

MR. REED: James, you probably have an early deadline, but what Diane has said was that they already have -- the Defense Department already has a magnificent mentoring and tutoring program, and I believe that the Navy already mentors something like 600,000 a year, and they're committing to increase that to 700,000.

Q This is for full-time volunteering, full-time community service?

MR. REED: No, The Defense Department or the other one?

Q No, I'm sorry, I'm back to the other, the students.

MR. REED: Yes, these would be people who are doing this as a profession.

Q Can you give us any idea for how many more children will be tutored as a consequence of what the President said today than were tutored in the last four years, or do we have any notion for what difference this actually makes?

MR. REED: Well, as I said, it's 100,000 additional children as a result of what the Navy is doing. I believe that the Department of Transportation initiative is a completely new initiative. So --

MS. FORTUNA: It's not only tutoring, it's tutoring, mentoring, education --

MR. REED: But it involves tutoring, mentoring and some kind of education efforts as well. I think you'd be safe to say our hope is that it would help upwards of a million more children than otherwise would have gotten help.

Q Did those departmental staffers or workers do the mentoring and tutoring on their own time or on government time?

MR. REED: Well, as I said earlier, agencies have the option of either giving time off during the work day to go do this on a paid basis if it's related to the mission of their department. But in most cases, these are employees who take an hour during the work day and then make it up elsewhere during the work week.

Q Bruce, several of the corporations who are represented here say they've got people who are coordinators for the companies to help make it easier for employees to know what's out there as far as community service. Does the White House have such a thing or is it contemplating it?

MR. REED: For the administration as a whole or just within the White House?

Q In the White House.

MR. REED: We don't have one now, John.

Q All right. Is there any possible -- or a contemplation of on-site volunteer opportunities? That's another thing that the corporations were touting.

MR. REED: Well, that is something that works -- something that works very effectively in the private sector. And some of the agencies may be looking at that -- in other words, bringing the kids to the sites. We don't have that in mind at the White House. They'd have to stand in line a long time at WAVES.

Q They might be foreigners, in which case they would take a long time at the gate. (Laughter.)

Q Bruce, can you tell us anything about what else was happening this afternoon away from the stadium? I mean, were the other Presidents also out cleaning up trash and painting over graffiti?

MR. REED: I think everybody had on t-shirts and was out painting. I don't know which color t-shirts they were wearing or whether they were using the same color of paint, but all the principals were taking part in the effort.

MR. TOIV: Any AmeriCorps questions? Any related for Eli?

Q Did you talk -- I just walked in, I'm sorry. Did you talk about what dollar figure on average we're talking about these kids saving if they volunteer for a year?

MR. REED: As a result of the President's income -- loan deferment proposal, it's an average benefit of $600. AmeriCorps, which is -- well, Eli can talk about better than I can, but AmeriCorps gives college scholarships of $4,725 in return for a year of full-time service.

MR. TOIV: Is that it?

Q I have a question for Eli. Is -- the mood of this summit seems to be very pro-volunteering and kind of not pro the kind of AmeriCorps service that's paid for and is somewhat expensive. Do you think that in the end it will be hard on AmeriCorps -- that Americans will start thinking, well, we have all these new volunteers. We don't need AmeriCorps anymore?

MR. SEGAL: On the contrary, Elizabeth, I see this as a logical extension of AmeriCorps. AmeriCorps was built on several principles. One of them was the idea of public-private partnerships. Through the life of AmeriCorps -- three years -- we have seen extraordinary commitments in the private sector already. In its first year alone, there's an audited report which shows more than $40 million committed by the private sector, usually in the form of cash, to support the AmeriCorps programs in the United States. This kind of ramps it up one level more, continues to make the case that AmeriCorps plays a vital role. Certainly, you will see lots of young people in AmeriCorps here in Philadelphia. They're in lots of the delegations.

And we believe that all people recognize that volunteerism -- we're not going to simply celebrate volunteerism this week, but we have to rely on volunteers more than we have in the past. And it's unquestionably the case that AmeriCorps is the crucial link or at least one of the crucial links in making volunteers operate more effectively. We're awfully proud in AmeriCorps of the fact that for every one AmeriCorps who serves, there are 12 new volunteers. It's the reason why some of the great volunteer organizations, from the American Red Cross to Habitat for Humanity, are such extraordinary supporters of our work.

MR. REED: Thank you very much.

THE PRESS: Thank you.

END 4:10 P.M. EDT

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

Office of the Deputy Assistant Secretary
Policy, Planning, and Innovation

7th and D Streets, SW
Room 4060, ROB-3
Washington, DC 20202-5143
Phone: (202) 205-2987 Fax: (202) 401-5749

Fax Cover Sheet

Number of pages following cover sheet: ______

TO: Diana Fortuna **FAX:** 456-7431

FROM:

Maureen A. McLaughlin ______

Francine Picoult ______

Lynn Mahaffie ✓

Sandy Wood ______

Tia Cosey ______

MESSAGE:

F: Subsidized Loan Deferment

collection.

Current law: The Internal Revenue Service assists the Department with debt collection through the refund off-set program. The Department does not obtain debt collection information from other federal sources. The IRS has refused to share employment information with any federal agencies in pursuit of defaulters.

Proposed changes: Secure legislative authority for the Department of Education to gain access to home address and employment information (specifically, name, address, social security number, business address, and home and work telephone numbers) on defaulted borrowers from the Internal Revenue Service, the Department of Labor, the Department of Health and Human Services, and any other federal government agency that has this information.

Reasons for change: The Department's ability to recover defaulted student loans is increased dramatically when the holder has access to home address and personal employment information. This information is readily available from other federal sources.

30. Provide loan deferments for unsubsidized borrowers who are performing national service.

Current law: Many people performing national service qualify for deferments of their loans under the economic hardship deferment in section 428(b)(1)(M)(iii). "Economic hardship" is defined in section 435(o) on the basis of income and debt to income ratio. During periods of economic hardship, interest is not paid by the borrower on subsidized loans, but interest continues to accrue on unsubsidized loans.

Proposed change: Amend section 428(b)(1)(M)(iii) to provide that interest will not accrue on unsubsidized loans that are in deferment for economic hardship if the borrower is performing community service. To be performing "community service", the borrower must be working in a position that is carried out by a state, a subdivision of a state, a local government, an Indian tribe, a public or private nonprofit organization, or a federal agency. Additionally, the service must address an unmet human, educational, environmental, or public safety need through services that provide a direct benefit to the community in which the service is performed. Examples of service which would be eligible include such fields as health care, child care, literacy training, education, welfare, social services, transportation, housing and neighborhood improvement, public safety, crime prevention and control, recreation, rural development, and community improvements. Participants receiving tuition assistance or loan forgiveness under the National and Community Services Act of 1990 (42 USC 125??, *et. seq.*) are eligible for this deferment, as are VISTA volunteers under Title 1 of the Domestic Volunteer Service Act of 1973 (42 USC 4951 *et. seq.*).

Individuals who work for the following types of organizations are not eligible for this deferment: businesses organized for profit, labor unions, partisan political organizations, and organizations engaged in religious activities (unless such service does not involve conducting worship services, providing instruction as part of a program that includes mandatory religious education or worship, the construction, operation or maintenance of facilities devoted to religious instruction or worship, or any form of proselytization).

Reason for change: President Clinton supports and encourages service and mutual responsibility nationwide. This proposal would allow young people with college loans to take up to three years to serve their communities without accruing additional interest on their loans. This proposal is part of the President's call to action to all Americans to serve their communities.

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Fax Cover Sheet

Number of pages following cover sheet: 3

TO: Diana Fortuna **FAX:** 456-7431

FROM:

Maureen A. McLaughlin ____

Lynn Mahaffie ✓ 205-8728

Tia Cosey ____

Francine Picoult ____

Sandy Wood ____

MESSAGE:

Diana – The following is the current statute on economic hardship which will be revised by the specs sent earlier

~Lynn

ʼided in paragraph (2), for any fiscal year in ·tudents at the institu- section 428, 428A, or ıstitution, the percent- s who enter repayment an made under section ıs) received for attend- ear who default before Secretary shall require ured loans for current ford such institution a he Secretary) to review equired to be provided cy for the purposes of ch institution, prior to

udents who default be- Secretary shall include guaranty agency has lering appeals with re- o subsection (a)(3), ex- servicing or collection, submitted in support Secretary, result in an f such cohort default

er than 30 of the insti- enter repayment, the ercentage of such cur- d repayment on such e under section 428C any of the three most e end of the fiscal year h they entered repay-

of a student who has ne school, the student nt or default) is attrib- which the student re- the fiscal year. ade by the school, such ee, or any other entity in order to avoid de- n default for purposes

ilitated before the end dered as in default for

on, a loan made in ac- rtion of a loan made y a loan made under enter repayment until rolled in a course of

study leading to a degree or certificate at an eligible institution on at least a half-time basis (as determined by the institution) and ceased to be in a period of forbearance based on such enrollment. Each eligible lender of a loan made under section 428A (or a loan made under section 428C a portion of which is used to repay a loan made under section 428A) shall provide the guaranty agency with the information necessary to determine when the loan entered repayment for purposes of this subsection, and the guaranty agency shall provide such information to the Secretary.

(3) REGULATIONS TO PREVENT EVASIONS.—The Secretary shall prescribe regulations designed to prevent an institution from evading the application to that institution of a default rate determination under this subsection through the use of such measures as branching, consolidation, change of ownership or control, or any similar device.

(4) COLLECTION AND REPORTING OF COHORT DEFAULT RATES.—(A) The Secretary shall collect data from all insurers under this part and shall publish not less often than once every fiscal year a report showing default data for each category of institution, including (i) 4-year public institutions, (ii) 4-year private institutions, (iii) 2-year public institutions, (iv) 2-year private institutions, (v) 4-year proprietary institutions, (vi) 2-year proprietary institutions, and (vii) less than 2-year proprietary institutions.

(B) The Secretary may designate such additional subcategories within the categories specified in subparagraph (A) as the Secretary deems appropriate.

(C) The Secretary shall publish not less often than once every fiscal year a report showing default data for each institution for which a cohort default rate is calculated under this subsection.

(o)[1] ECONOMIC HARDSHIP.—

(1) IN GENERAL.—For purposes of this part and part E, a borrower shall be considered to have an economic hardship if—

(A) such borrower is working full-time and is earning an amount which does not exceed the greater of—

(i) the minimum wage rate described in section 6 of the Fair Labor Standards Act of 1938; or

(ii) an amount equal to 100 percent of the poverty line for a family of 2 as determined in accordance with section 673(2) of the Community Service Block Grant Act;

(B) such borrower is working full-time and has a Federal educational debt burden that equals or exceeds 20 percent of such borrower's adjusted gross income, and the difference between such borrower's adjusted gross income minus such burden is less than 220 percent of the greater of—

(i) the annual earnings of an individual earning the minimum wage under section 6 of the Fair Labor Standards Act of 1938; or

[1] Subsection (n) repealed by sec. 427(f) of P.L. 102–325. See footnote 1 on page 183.

(ii) the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act) applicable to a family of two; or

(C) such borrower meets such other criteria as are established by the Secretary by regulation in accordance with paragraph (2).

(2) CONSIDERATIONS.—In establishing criteria for purposes of paragraph (1)(C), the Secretary shall consider the borrower's income and debt-to-income ratio as primary factors.

(20 U.S.C. 1085)

SEC. 436. DISTRICT OF COLUMBIA STUDENT LOAN INSURANCE PROGRAM.

(a) AUTHORITY.—The government of the District of Columbia is authorized (1) to establish a student loan insurance program which meets the requirements of this part for a State loan insurance program in order to enter into agreements with the Secretary for the purposes of this title, (2) to enter into such agreements with the Secretary, (3) to use amounts appropriated for the purposes of this section to establish a fund for such purposes and for expenses in connection therewith, and (4) to accept and use donations for the purposes of this section.

(b) BINDING EFFECT ON MINORS.—Notwithstanding the provisions of any applicable law, if the borrower, on any loan insured under the program established pursuant to this section, is a minor, any otherwise valid vote or other written agreement executed by him for the purposes of such loan shall create a binding obligation.

(c) APPROPRIATIONS AUTHORIZED.—There are authorized to be appropriated such amounts as may be necessary for the purposes of this section.

(20 U.S.C. 1086)

SEC. 437. REPAYMENT BY THE SECRETARY OF LOANS OF BANKRUPT, DECEASED, OR DISABLED BORROWERS; TREATMENT OF BORROWERS ATTENDING CLOSED SCHOOLS OR FALSELY CERTIFIED AS ELIGIBLE TO BORROW.

(a) REPAYMENT IN FULL FOR DEATH AND DISABILITY.—If a student borrower who has received a loan described in subparagraph (A) or (B) of section 428(a)(1) dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Secretary), then the Secretary shall discharge the borrower's liability on the loan by repaying the amount owed on the loan.

(b) PAYMENT OF CLAIMS ON LOANS IN BANKRUPTCY.—The Secretary shall pay to the holder of a loan described in section 428(a)(1) (A) or (B), 428A, 428B, 428C, or 428H, the amount of the unpaid balance of principal and interest owed on such loan—

(1) when the borrower files for relief under chapter 12 or 13 of title 11, United States Code;

(2) when the borrower who has filed for relief under chapter 7 or 11 of such title commences an action for a determination of dischargeability under section 523(a)(8)(B) of such title; or

(3) for loans descri
when the borrower file
title.
(c) DISCHARGE.—
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January 1, 1986, a lo
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(5) REPORTING.—T
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(d) REPAYMENT OF LOA
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(20 U.S.C. 1087)
SEC. 437A. DEBT MANAGEME
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(I) provides that the benefits of the loan insurance program will not be denied any student who is eligible for interest benefits under subsection (a) (1) and (2);

(J) provides that a student may obtain insurance under the program for a loan for any year of study at an eligible institution;

(K) in the case of a State program, provides that such State program is administered by a single State agency, or by one or more nonprofit private institutions or organizations under supervision of a single State agency;

(L) provides that the total of the payments by a borrower—

(i) during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured under this part shall not, unless the borrower and the lender otherwise agree, be less than $600 or the balance of all such loans (together with interest thereon), whichever amount is less (but in no instance less than the amount of interest due and payable); and

(ii) for a monthly or other similar payment period with respect to the aggregate of all loans held by the lender may, when the amount of a monthly or other similar payment is not a multiple of $5, be rounded to the next highest whole dollar amount that is a multiple of $5;

(M) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid by the Secretary, during any period—

(i) during which the borrower—

(I) is pursuing at least a half-time course of study as determined by an eligible institution; or

(II) is pursuing a course of study pursuant to a graduate fellowship program approved by the Secretary, or pursuant to a rehabilitation training program for disabled individuals approved by the Secretary,

except that no borrower shall be eligible for a deferment under this clause, or loan made under this part (other than a loan made under 428B or 428C), while serving in a medical internship or residency program;

(ii) not in excess of 3 years during which the borrower is seeking and unable to find full-time employment; or

(iii) not in excess of 3 years for any reason which the lender determines, in accordance with regulations prescribed by the Secretary under section 435(o), has caused or will cause the borrower to have an economic hardship;

(N) provides that funds borrowed by a student—

(i) are disbursed to the institution by check or other means that is payable to, and requires the endorsement or other certification by, such student; or