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ABSTRACT

This document summarizes the positions of interested parties on the extension and amendment of Title IV of the Higher Education Act. Charts compare legislative recommendations for the major student aid programs administered by the Office of Education, which now represent an investment of more than $2 billion in Federal resources. These programs are: Basic Educational Opportunity Grants (BEOG), Supplemental Educational Opportunity Grants (SEOG), College Work-Study (CWS), State Student Incentive Grants (SSIG), and the Guaranteed and Direct Student Loan Programs (GSLP and NDSL). Accompanying the charts is a brief narrative that emphasizes some of the broad sentiments and concerns expressed about these programs in Congressional testimony. (Author)

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FEDERAL STUDENT AID PROGRAMS: A COMPARISON OF LEGISLATIVE OPTIONS

The attached charts summarize the positions of interested parties on the extension and amendment of Title IV of the Higher Education Act. Specifically, they compare legislative recommendations for the major student aid programs administered by the Office of Education, which now represent an investment of more than $2 billion in Federal resources. These programs are: Basic Educational Opportunity Grants (BEOG), Supplemental Educational Opportunity Grants (SEOG), College Work-Study (CWS), State Student Incentive Grants (SSIG), and the Guaranteed and Direct Student Loan Programs (GSLP and NDSL). Accompanying the charts is a brief narrative that emphasizes some of the broad sentiments and concerns expressed about these programs in Congressional testimony.

The Administration and the associations listed on the following page presented views on Title IV in hearings during the spring and summer of 1975 before the House and Senate subcommittees chaired respectively by Congressman James O'Hara and Senator Claiborne Pell. Both Congressman O'Hara and Senator Pell have now introduced bills for discussion, and the House Subcommittee has recently begun the process of legislative mark-up. The deadline for Congressional action is July 1, 1976, when the Higher Education Act is scheduled to expire.

The summary of associational views is based on testimony and other published sources. Such views are always subject to change, and we regret any inaccuracies of fact or interpretation. Blank spaces in the charts indicate that the party did not address the issue. In the case of the loan programs, the complexity of the issues required splitting the charts into two parts. It should also be noted that the comparison of proposals for change in the loan programs does not take into full account several recent recommendations which will be under consideration. These include an elaboration by COFHE of its original loan proposals and new recommendations by state guarantee agency representatives.

Generous thanks and credit are due Gordon Smith, 1975 summer intern with the Washington Office from the University of California--Berkeley, for his tireless research and able assistance in drafting these documents. We hope they will serve as a useful reference as new higher education legislation is debated and shaped over the coming months.

Lawrence E. Gladieux
Director

November 1975 (REVISED)

POSITIONS REPRESENTED IN THE CHARTS

H.R. 3471 - Legislation introduced on February 20, 1975 by Congressman James O'Hara, Chairman of the House Subcommittee on Postsecondary Education

S. 2657 - Legislation introduced on November 12, 1975 by Senator Claiborne Pell, Chairman of the Senate Subcommittee on Education

Administration - Position of the Department of HEW/Office of Education as represented in Congressional testimony

AAC - Association of American Colleges

AACJC - American Association of Community and Junior Colleges

AASCU - American Association of State Colleges and Universities

AAU - Association of American Universities

AAUP - American Association of University Professors

ACE - American Council on Education

AICS - Association of Independent Colleges and Schools

Carnegie - Carnegie Council on Policy Studies in Higher Education

COFHE - Consortium on Financing Higher Education

NAEOHE - National Association for Equal Opportunity in Higher Education

NASULGC - National Association of State Universities and Land-Grant Colleges

NASFAA - National Association of Student Financial Aid Administrators

NCEA - National Catholic Education Association

NCHELP - National Council of Higher Education Loan Programs

NCICU - National Council of Independent Colleges and Universities

NSL - National Student Lobby

NOTE: Because of space limitations and the overlap of associational views, not all of the groups are fully represented in all of the charts. Footnotes are used to indicate the general posture of some of the associations.

Overview

H.R. 3471, introduced by Congressman O'Hara on February 19, 1975, advanced a number of substantial alterations in the structure and interrelationship of Title IV programs. The bill stimulated lively debate.

Senator Claiborne Pell, on the other hand, announced at the outset of the Senate hearings that his subcommittee would emphasize refining the present Title IV programs rather than restructuring federal aid for postsecondary education. More time should be allowed to pass, Senator Pell suggested, before undertaking a major reevaluation of the student aid policies established by the Education Amendments of 1972.

S.2657, accordingly, proposes few changes in the statute other than extending authority for the major programs to 1982. Highlights of the Senator's recently introduced bill are an increase in the BEOG ceiling to $1,800 and a series of changes designed to tighten up the Guaranteed Loan Program.

Whether the objective is refinement or overhaul, it is likely that the upcoming legislation will set the basic terms and framework of federal student aid for the remainder of this decade.*

BEOG and SEOG

There was general accord among most of the groups testifying on Title IV that the goals of access and choice would be best served by separate programs. Many suggested that BEOGs should be focussed on access by relating the maximum award to the average non-instructional costs of college attendance, while SEOGs should be addressed to the goal of choice by relating awards to tuition and instructional fees. Dissenting from this concept was the Administration, which concurred with the notion of assuring access and choice but argued that both may be achieved through minor modifications in the present BEOG program and that the SEOG program should be terminated. The Carnegie Council stresses SSIG as the vehicle for choice with SEOG phased out as SSIG funding expands.

A major issue in the BEOG program is the removal of the provision limiting a student's entitlement to one-half the total cost of attendance. Many groups support the elimination of the half-cost limit on grounds of equity for low-income students attending low-cost institutions as well as simplification of the BEOG program. The NCICU and NCEA, however, have expressed deep concern that removal of the half-cost provision would cause their private college constituencies to lose enrollments.

There is also debate over the concept of making SEOG more sensitive to tuition levels, thus tilting the program toward students in high-cost private institutions. (Currently one-third of SEOG funds go to students in private colleges and universities.) Both COFHE and ACE have proposed specific plans for recasting SEOG in this direction.

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*There is, however, the possibility of a simple one-year extension of higher education programs (through June 30, 1977). Such action would postpone any substantive changes in the law until the 95th Congress.

SSIG

The testimony reflected general enthusiasm for the SSIG program and the state response to this Federal stimulus during the past two years. There was a consensus that this program should be expanded and more generously funded. Most organizations also agreed that it was necessary either to encourage or to require states to extend benefits to students attending public, private, proprietary and out-of-state institutions.

CWS

CWS was also generally applauded, with most groups recommending a major expansion of funding. The associations were, however, divided on the question of whether the program should remain need-based.

LOANS

It was generally agreed that needy students should be able to rely principally on grants and work-study and that middle and upper-income students should have ready access to loans. There was wide divergence, however, on specific issues, such as whether to remove the GSLP in-school interest subsidy and whether to conform GSLP and NDSL interest rates. Less controversial was the objective of increased utilization of Sallie Mae for selling and warehousing loan paper.

Perhaps the foremost concern is the rising default rate on student loans. Senator Pell took particular note of the substantial difference between Federal student loan default rates (18-24%) and state student loan default rates (5%).* The Administration responded that states had better staff, greater equity strength by virtue of their lower loan maximums, and a lower-risk borrower population mainly due to the exclusion of most proprietary school applicants in state programs. Pell was not convinced that these factors should produce such a large gap, and was prompted to wonder if the Federal government should not get out of the loan business entirely, though S. 2657 does not propose such a withdrawal.

Congressman O'Hara has expressed similar views, including in his bill a proposal to terminate FISL in favor of state guarantee agencies and to cease all Federal capital contributions to NDSL (except for cancellation of reimbursements on earlier loans).

*An analysis currently in progress by the Washington Office of CEEB, however, indicates that these default rate estimates may overstate the differential between Federal and state programs.

Administrative Cost Allowances

The growing burden of administering and coordinating Federal student aid at the campus level stimulated NASFAA and a number of other associations to recommend increased administrative cost reimbursements. The institutional associations were in general accord with ACE's proposal for raising the current administrative cost allowance from 3% to 5%, or $50 per Federally-aided student, whichever is larger, and extending this allowance from the campus-based programs to include BEOG. In addition, a flat $10 per Federally-insured loan was recommended to offset the administrative costs of GSLP. NASFAA alternatively recommended a cost reimbursement of $15 per BEOG recipient and a provision for reimbursement of an unspecified amount to institutions for administrative costs associated with GSLP. Senator Pell expressed concern that the expenditures invoked by the above recommendations might be considerable. One association suggested a $250,000 maximum administrative allowance per institution.

Cost-of-Education Payments

Although a separate provision under Title IV, the "cost-of-education allowance" is closely related to the idea of administrative cost allowances. It was enacted in 1972 to help defray the cost differential between tuition payments and the actual institutional costs incurred in educating a Federally-aided student. The program has not yet been funded.

Those associations addressing the cost-of-education allowance question were again those representing institutional constituencies, joined this time by the Carnegie Council and the proprietary business schools, represented by AICS. All of these associations with the exception of the AICS, enthusiastically supported funding for cost-of-education allowances, contending that these allowances were critical to preserving the quality of education. The AICS was skeptical of the justification of an institutional subsidy by a "body count" of Federally-aided students, maintaining that "not all Federally-aided students contribute to the financial troubles of some institutions."

The main question, however, among the associations favoring cost-of-education allowances was whether the present statute should simply be funded, or whether a simpler formula that might facilitate easier administration should be enacted and funded. ACE and those associations affiliating with ACE's testimony recommended a simplified formula of $200 per undergraduate recipient of BEOG, SEOG, CWS and NDSL (unduplicated count), subject to pro-rata reduction when appropriations are insufficient. The Carnegie Council and NCICU suggested the present formula was adequate.

PROPOSALS FOR AMENDING THE BEOG PROGRAM*

Issues (Current Law In Parentheses)	H.R. 3471	S.2657	Administration	AAUP	ACE	Carnegie	COFHE	NASFAA	NCICU/AAC	NSL
1. Nature of Entitlement (When appropriations are insufficient, grants are adjusted by step reduction schedules in law)	Provide for ratable reduction of all grants when funds insufficient to meet full entitlements	No change	Favors full funding	These groups favor a true entitlement that would: a) eliminate reduction schedules and b) guarantee in advance full funding of the program, not subject to discretionary appropriations**						
2. Grant Ceiling ($1,400)	Limit to maximum BEOG award in 1975-76 ($1,400)	Raise to $1800	Keep $1400 maximum	Raise to $1600	Raise to $1600 or $1800 Include an annual cost-of-living adjustment	Establish at national average for total non-instructional costs to student, minus summer earnings expectation ($1600 in 1975-76)	Establish at national average non-instructional costs, less $500 self-help expectation (i.e., $1600 for residential student in 1975-76)	Base on national average non-instructional costs Include annual cost-of-living adjustment	Raise to $1600 or $1800	Raise maximum grant to $1600 and base on average non-instructional costs
3. Half-Cost Provision (Grant cannot exceed ½ of student's total cost of attendance)	Eliminate	Keep	Replace with half-need	Eliminate	Eliminate	Eliminate	Review one-half cost limit to give more flexibility without complete removal	Consider removing	Keep	Eliminate
4. Expected Family Contribution (General criteria: income, assets, # of dependents, # of dependents in college, unusual expenses and student dependency status)	Eliminate assets as a criterion	Treat Social Security student benefits as family resource and one-half of veterans education benefits as student resource Otherwise, no change	Retain assets as a criterion	Utilize adjusted gross income as determinant of need	Adopt consensus model for needs analysis (Keppel Task Force) in both BEOG & SEOG	Liberalize the BEOG eligibility criteria and increase the BEOG appropriation to accommodate this increased eligibility				
5. Administrative Cost Allowance (No provision in current law)		Provide $15 to institution per BEOG recipient to cover BEOG administrative costs			Extend administrative cost allowance for campus-based programs to BEOG (at rate of 5%)			Provide $15 per BEOG recipient to cover BEOG administrative costs	Extend administrative cost allowance for campus-based programs to BEOG	
6. Use of Unspent Funds (Requires payout to current recipients; bars carryover to next fiscal year)	Unspent BEOG funds to be transferred to College Work-Study Program	No carryover; unspent funds to remain available for 3 mos. for extra payments to present BEOG holders.	Permit carryover of unspent funds to succeeding fiscal year					Permit carryover of unspent funds to succeeding fiscal year		

(Issues)	(H.R. 3471)	(S.2657)	(Administration)	(AAUP)	(ACE)	(Carnegie)	(COFHE)	(NASFAA)	(NCICU/AAC)	(NSL)
7. Other	Set minimum award at $100 instead of $200 provided in current law		Coordinate BEOG with aid from Federal/State programs (see chart SSIG)	Mandate program of public information on BEOG	Open BEOG to less than half-time students Establish national commission to review need analysis criteria and annually recommend changes to Congress Adopt calendar for delivery of BEOG and other aid per Keppel Task Force			Set minimum award at $100 Adopt the Keppel Task Force calendar which results in earlier approval of BEOG awards Retain threshold levels of funding for SEOG, NDSL and CWS before funding BEOG	Change to State administration of BEOG. Raise threshold levels for SEOG and CWS to $300 million and $360 million, respectively, and retain $293 million threshold for NDSL.	Add Statutory language requiring OE to disseminate information about all programs. Set thresholds at FY 1976 actual funding levels

* AAU, NASULGC, and AICS have affiliated with ACE's position on the BEOG program

AACJC is also in agreement with ACE's proposals for BEOG, with the exception that AACJC recommends eliminating family assets as a criterion in in calculating the family contribution level.

AASCU's recommendations for BEOG run closely parallel to those of ACE.

NCEA (College and University Department) generally shares the views of NCICU on student aid, with particular emphasis on the retention of the half-cost provision in BEOG.

NAEOHE recommends making BEOG a true entitlement and raising the maximum award to $3000 to cover cost increases since 1972, with a built-in factor to cover inflation in future years. NAEOHE also recommends simplifying the application form and intensive advertising of the program to reach all eligible students.

** If true entitlement is not written into the law, NASFAA emphasizes importance of retaining a reduction formula to protect students with the greatest need when funds are insufficient to fully fund the program.

PROPOSALS FOR AMENDING THE SEOG PROGRAM*

Issues (Current Law in Parentheses)	H.R. 3471	S.2657	Administration	AACJC	ACE	AAU	AICS	Carnegie	COFHE	NASFAA
1. Thrust of Program (Campus-based undergraduate grants of up to $1500 awarded on basis of "exceptional financial need," not to exceed ½ of total aid received by student.)	Redefine as merit program for BEOG recipients who qualify on competitive exams. Awards = total costs at institution of student's choice minus [BEOG + parental contribution]	No change	Eliminate SEOG	Maintain need-based thrust, not merit. After $500 self-help requirement, SEOG would match each non-BEOG dollar of aid from other sources up to $1,500	Maintain need-based thrust, not merit. After $500 self-help requirement, SEOG would match each non-BEOG dollar of aid from other sources up to $1,500	Maintain need-based program emphasizing the goal of choice	Continue SEOG, with emphasis on insuring choice	Phase out SEOG	Retain as campus-based program but base on new formula related to tuition and emphasizing choice**	Maintain need-based thrust
2. Relationship to Other Grant Programs (Intended as additive to BEOG foundation; aids needy students both eligible and ineligible for BEOG who require further aid.)	BEOG eligibility is prerequisite to SEOG eligibility	No change			SEOG appropriation a function of funds appropriated for BEOGs (See #4 below)		Link the removal of the half-cost limitation of BEOG with the continuation of a fully funded SEOG program helping to insure choice among institutions.	Phase out SEOG and increase SSIG, which can more effectively serve SEOG's function of choice	SEOG appropriation a function of funds appropriated for BEOGs (See #4 below)	Eliminate the requirement of matching with other student aid
3. State Allotment Formula (90% of appropriations allocated on basis of full-time and part-time students in each state; 10% distributed at discretion of Commissioner.)	Eliminate; program would not be campus-based but would function as direct entitlement	No change		Use one formula for determining the allocations of SEOG, CWS & NDSL to an institution. These funds should go directly to the state, thus displacing the regional review panels.	Drop current state allotment formula and stipulate that all institutions receive uniform percentage of their panel-approved requests (same system as now used for continuing year SEOG awards).	Drop current state allotment formula and stipulate that all institutions receive uniform percentage of their panel-approved requests (same system as now used for continuing year SEOG awards).			Drop current state allotment formula and stipulate that all institutions receive uniform percentage of their panel-approved requests (same system as now used for continuing year SEOG awards).	
4. Nature and Level of Authorization ($200 million for initial year awards, "such sums as may be necessary for continuing awards.")	Authorization at $200 million	No change			Establish the minimum "threshold" appropriation level at $300 million or 25% of BEOG entitlement, whichever is higher. Combine first year grants and continuing grants under one authorization.	Enact a statutory formula requiring a minimum SEOG funding level as a proportion of the BEOG appropriation		Decrease funds gradually from $240 million to $100 million	Establish minimum SEOG funding of $250 million or 25% of the BEOG appropriation, whichever is greater	Combine first year grants and continuing grants under one authorization

(Issues)	(H.R. 3471)	(S.2657)	(Administration)	(AACJC)	(ACE)	(AAU)	(AICS)	(Carnegie)	(COFHE)	(NASFAA)
5. Minimum Grant ($200)		No change		Raise to either $300 or $400	Raise to $400	Raise the minimum allowable grant, but allow for a smooth transition between those that receive grants and those that do not			Keep at $200	
6. Other					Use Consensus Model (Keppel Task Force) for need analysis under SEOG Allow carry-over of 5% to next fiscal year and increase transferability with CWS from 10 to 20%				Use BEOG method for need analysis under SEOG	

* NASULGC has affiliated with ACE's general position on the SEOG program.

AASCU is in agreement with ACE's proposed SEOG formula changes provided that SEOG is adequately funded and that aid goes to students at public as well private institutions in a fair proportion.

NCICU's only recommendation for SEOG is an increase in the appropriation threshold to $300 million.

NSL's main concern in the SEOG program is that it remain need-based and not be expanded to include merit as a factor in determining eligibility.

AAUP believes it is necessary to keep the SEOG program and authorize it at $200 million per year until there is a full funding for SSIG, CWS, and a true entitlement for BEOG.

NAEOHE recommends increasing the maximum SEOG to $2000; continued targeting of the program on students with "exceptional financial need," including both BEOG and non-BEOG recipients; transferability of up to 15% between CWS and SEOG institutional allotments; and giving first claim on SEOG funds to continuing year applicants

** COFHE SEOG formula:

$$\tfrac{1}{2}\left[\text{tuition \& fees} - \left\{\begin{array}{c}\text{parental contribution} - \text{maximum BEOG entitlement} \\ \text{(cannot be less than zero)}\end{array}\right\} - \$800\right]$$ with minimum grant of $200 and maximum of $1000

PROPOSALS FOR AMENDING THE SSIG PROGRAM*

Issues (Current Law in Parentheses)	H.R. 3471	S.2657	Administration	AASCU	AAUP	ACE	AICS	Carnegie	COFHE	NSL
1. Thrust of Program (Federal matching to encourage new and expanded need-based state scholarship programs for undergraduates)	Broaden purposes for which state could use SSIG funds to include work-study and expansion of capacity in zero-tuition institutions, in addition to need-based scholarships	No change	Links SSIG into a Federal-state entitlement scheme, i.e., sharing the cost of incremental increases in BEOG entitlements that the state may decide to give students, between federal and state funds		Expand Federal stimulus for development of state scholarship programs based on need	Encourage states to assume more responsibility for assuring student choice in postsecondary education	Use SSIG as mechanism for sharing Federal/state responsibility for access to postsecondary education	Design state programs to cover tuition and required fees up to a maximum of $1500, but not any portion of non-instructional costs	Relate SSIG program to tuition and fees Continue to authorize SSIG funds solely for need-based student grants	Encourage states to expand need-based student aid programs which allow students the maximum choice of post-secondary programs
2. Conditions of State Eligibility: - Portability of awards to other states - Eligibility of students at both public and private schools - Eligibility of proprietary schools (Current law is mute on all three)		Requires portability and eligibility of students in both public and private institutions			Develop Federal incentives to encourage states to permit portability of scholarships to out-of-state institutions and to make scholarships available to students in both public and private institutions	Make the portability of awards and the eligibility of students at both public and private schools conditions for state eligibility	As a condition of state participation, require that student eligibility for state scholarships be the same as for all other Title IV programs, i.e., including proprietary, vocational and part-time students**	Allow students that attend institutions in other states to qualify for grants Make grants available for students at both public and private institutions	Encourage portability of SSIG funds	
3. Authorization Level ($50 million)	$200 million annually	No change			Authorize $200 million for each fiscal year	Expand SSIG from $150 million in FY 1977 to $350 million in FY 1981		Reallocate funds dislocated through the partial phasing out of SEOG to the SSIG program	Authorize funding to increase gradually, at a pace that can be matched by states	Authorize $200 million per year
4. State Allotment and Maintenance of Effort (Allotment based on college enrollments in each state; a state can claim up to its maximum allotment by matching with additional expenditures for state scholarships over a specified base year.)***	Adopts complex formula designed to reflect relative fiscal effort in higher education****	No change		Add strong maintenance of effort clause to assure that states do not shift funds from public sector institutional aid towards SSIG, thus increasing tuition at public schools		Require states to maintain their per-student effort in support of public and private higher education, to insure that funds used to enlarge the state scholarship program are not traded off against institutional support			Modify existing allocation formula basing it only on enrollment of students in each state who are potentially eligible for the state scholarship program	

(Issues)	(H.R. 3471)	(S.2657)	(Administration)	(AASCU)	(AAUP)	(ACE)	(AICS)	(Carnegie)	(COFHE)	(YSL)
5. Matching Percentage (50:50 Federal-non-Federal)	Maintains current 50:50 ratio	No change			Shift matching percentage to provide a minimum 60% contribution by the Federal government	Maintain current ratio				
6. Other								Make 1969-1970 the base year for Federal matching of increased state expenditures		Allow states flexibility to allocate funds between grants and work-study

* AAU is in agreement with the thrust of ACE's proposals for SSIG; AAU places particular emphasis on the requirement of portability of SSIG-financed state awards on the grounds that the freedom of movement of students between states should be encouraged.

NASULGC and AACJC have affiliated with ACE's position on the SSIG program.

NCICU recommends that funding levels increase $50 million to $100 million annually and that the maximum award subject to matching be increased to $1800 per year.

** Alternatively, AICS recommends reducing the SSIG allotment of a state in proportion to the population count of students excluded by the state from SSIG grants who are normally counted in the allotment formula as defined under Title IV.

*** In practice states may receive more than this maximum due to reallocation of funds from the unused portion of other states.

**** H.R. 3471 state effort allotment formula: $\frac{\text{state \& local higher educ. appropriations - public tuition revenue}}{\text{total personal income}} \times \frac{\text{total enrollment}}{\text{state population}}$

PROPOSALS FOR AMENDING THE CWS PROGRAM*

Issues (Current Law in Parentheses)	H.R. 3471	S.2657	Administration	AACJC	ACE	AAUP	Carnegie	COFHE	NASFAA	NSL
1. Thrust of Program (Need-based, provides part-time jobs for post-secondary students either on campuses or in public and non-profit organizations off campus.)	Drop need as basis for eligibility; allow all students to participate who wish to	No change	Continue on basis of need	Drop need as basis for eligibility; allow all students to participate who wish to	Continue on basis of need	Drop need as a basis for eligibility; allow all students to participate who wish to	Gradually eliminate need as a basis of eligibility as appropriations increase	Continue on basis of need	Remove needs test as condition for eligibility, but schools should not be prohibited from using a needs test when there are insufficient funds for student demand	Continue on basis of need; however, less stringent standard of need should be used in work-study than in grant programs
2. Authorization ($420 million)	Increase authorization from the current level of $420 million to $450 million in FY 1976 and $480 million in FY 1977	No change			Increase authorization gradually to $700 million	Authorize $600 for FY 1977 with a $60 million increment each year thereafter through FY 1980	Increase appropriations to $500 million in 1975-76; build toward est. need of $700 million (constant 1974 dollars) in 1979-80	Fund the program at a level that is more nearly in line with panel-approved requests nationally	Authorization must be higher to accommodate needs test removal	Increase authorization by $30 million annually
3. Minimum Wages (mute)	Require payment of minimum wages	No change			Require payment of minimum wages			Require payment of minimum wages		Require payment of minimum wages
4. Carryover of Funds (No provision for carryover)**	No change	No change			Authorize institutions to carry over 10% of funds to the next fiscal year or borrow up to 10% of their allotment from the succeeding year			Allow greater flexibility to institutions in committing funds between fiscal years	Allow institutions to carry over up to 10% of an allocation to the succeeding year or borrow 10% from that year to meet current year obligations	
5. Job Creation & Community Service Programs (Work-Study for Community Services Program authorizes grants to agencies for part-time student employment in programs designed to improve community services. Preference given to needy Vietnam era veterans.)	Eliminate unutilized authority for Work-Study Community Service Learning Program, but add new section for Job Creation Program to help institutions find additional jobs for their students in cooperation with local employers.	No change	Allow job creation programs in the Cooperative Education program rather than the CWS program.	Assist institutions in establishing and operating job development/placement offices. Create "community service fellowships," where the individual would serve in public service employment and then be rewarded with assistance in postsecondary education.	Authorize demonstration grants to fund staffing of institutional Job Creation Programs. Encourage part-time employment in projects designed to improve community services. Allow the unutilized authority for Work-Study Community Services to expire.					

(Issues)	(H.R. 3471)	(S.2657)	(Administration)	(AACJC)	(ACE)	(AAUP)	(Carnegie)	(COFHE)	(NASFAA)	(NSL)
6. Transferability of Funds to Other Programs (Up to 10% between SEOG and CWS institutional allotments)					Increase transferability with SEOG funds from 10% to 20%			Increase flexibility in transferring funds among SEOG, NDSL, and CWS	Make NDSL an acceptable program for the transferability with CWS	
7. State Allotment Formula (2% of annual appropriation reserved for outlying U.S. territories. 10% of remainder left to Commissioner's discretion. Remaining amount distributed among states based on each state's relative share of full-time postsecondary enrollment, high school graduates and children from poverty homes.)	Change the current three-part formula for CWS to a single calculation based on the number of students enrolled full-time in each state; remove the "grandfather" clause guaranteeing each state no less in any year than it received in FY 1972		Discontinue the two special reservations of funds for the outlying areas. To reflect need in the formula, use the number of BEOG recipients in addition to full-time enrollment.	Use one formula for CWS, SEOG & NDSL giving the funds directly to the state and displacing Regional Review Panels			Revise the allocation formula so that each participating institution receives the same percentage of its panel-approved requests	Revise CWS allotment formula so that each participating institution receives the same percentage of its panel-approved requests	Eliminate the Commissioner's 10% discretionary authority to allocate funds. Change state allocation formula to include the number of half-time students enrolled and include enrollments of participating institutions only	
8. Matching Formula Provision (80:20 Federal to non-Federal ratio.)	Maintains current 80:20 ratio	No change	Lower the matching ratio to require larger institutional share.					Modify the cost-sharing arrangement between Federal and non-Federal funds		
9. Other	Remove requirement that students show "academic or creative promise" to be eligible for CWS					Encourage academic credit for work-study employment	Structure student aid packages to provide relatively more grant aid to lower division students and relatively more work-study aid to upper division and graduate students	Limit the amount of Federally funded CWS earnings a student may receive in a year; remove disincentives discouraging CWS students from earning non-CWS earnings		

*AAU and NASULGC have affiliated with ACE's position on CWS. AASCU's recommendations are in line with ACE's proposals.

NAEOHE urges continued targeting of CWS on the neediest students and expansion to permit full participation by both graduate and undergraduate students.

NCICU recommends continuing CWS on basis of need and increasing the appropriation threshold (prerequisite to funding BEOG) to $360 million.

**The current law, as amended by P.L. 94-43 enacted June 28, 1975, allows the Commissioner to carry over (and reallocate) unused CWS institutional allotments from one year to the next. Current law does not, however, allow the institution itself the flexibility to transfer any of its current year funds to the next fiscal year.

PROPOSALS FOR AMENDING THE FEDERAL LOAN PROGRAMS - PART I

(Note: This section on Federal loan programs is in two parts. Part I begins on this page. Part II follows and presents the views of AAU, Carnegie, COFHE, NASFAA, NCHELP, and NSL).

Issues (Current Law in Parentheses)	H.R. 3471	S.2657	Administration	AACJC	ACE	(AICS)
1. General thrust of Federal Loan Programs (To provide access to loans at reasonable rates of interest and conditions of repayment to enable students to attend the college of their choice.)	Minimize role of loans in financing students	Tighten up on administration of loan programs in the interest of consumer protection and reducing defaults, but no change in basic thrust.*	Continue emphasis on student loans	Concentrate loan programs on upper classmen and graduate students, although they should remain available to freshmen and sophomores by exercising careful judgment on an individual basis.	To provide loans of convenience for all students who wish to borrow to finance their education.	To provide loans of convenience for all students who wish to borrow to finance their education.
2. GSL - Thrust of GSL Program--State and Federal Roles (Lender makes loan directly to student and is protected against loss by state guarantee agency or direct Federal insurance.)	Terminate FISL program by requiring state guarantee agencies to handle guaranteed loans.	No change	Do not eliminate FISL. Deny Federal reinsurance to any guarantee agency which denies access to students attending educational institutions out-of-state.		Extend 100% Federal insurance from FISL to state programs.	
3. GSL - Loan Origination (Loan may originate at a postsecondary institution, bank, savings and loan association, insurance company, or a credit union.)	Restrict loan origination to financial institutions	Keep institutional lenders in, but deeligibilize institutions where student loan defaults exceed 10 percent of those in collection status.	Eliminate proprietary schools as eligible lenders, but not other higher educational institutions.		Permit institutions to continue to serve as lenders provided they can demonstrate the adequacy of their full-time financial aid staff.	Rather than categorically eliminating proprietary schools, eliminate schools as eligible lenders on the basis of incompetency by employing due diligence requirements and other administrative remedies, without regard to institutional type.
4. GSL - In-School Interest Subsidy (For borrowers with adjusted family income of $15,000 or less, or with income greater than $15,000 and a determination of need by the institution, the 7% interest obligation is paid by the Federal government until completion of schooling.)		Keep	Eliminate the interest subsidy on GSL	Eliminate in-school interest subsidy of GSL. Students should be given the option of paying the interest now or having it added to the principal for later repayment.	Eliminate in-school interest subsidy, but defer in-school interest payments on GSL (and NDSL) and add them to loan principal to be repaid after graduation.	

(Issues)	(H.R. 3471)	(S.2657)	(Administration)	(AACJC)	(ACE)	(AICS)
5. GSL - Special Allowance (To make loans more attractive to lenders during tight money periods the government is authorized to pay up to 3% to lenders above the 7% chargeable to the student borrower. The special allowance is set quarterly at the discretion of the Secretary of HEW.)	Tie the special allowance to the average rate on 90 day treasury bills.	No change	Allow a maximum of 4% spread between a cost of money indicator and the interest ceiling, but do not lock it into the indicator.		Adjust the special allowance to banks automatically by basing it on the interest of short-term Treasury notes.	
6. GSL - Other Provisions		Exempt loans from discharge in bankruptcy for five years after graduation; prohibit use of commissioned salesmen in peddling loans to students. Require institution to establish a "reasonable information program" for prospective students, including information on the employment of the institution's graduates.	Exempt loans from discharge in bankruptcy for five years after graduation.		Exempt loans from discharge in bankruptcy.	
7. NDSL - New Capital Contributions (Federal government contributes annually to institutional revolving funds.)	Cease Federal capital contributions except to reimburse institutions for cancellations on earlier loans but allow currently participating institutions to continue to make loans to students using their revolving fund.	No change	Discontinue		Continue. However, grant institutions which meet strict due diligence standards the option of giving up NDSL capital contributions in exchange for the guaranty provisions of GSLP/FISLP and access to SLMA, with use of existing NDSL capital pools as working capital for FISL loans.	
8. NDSL - Conformity of NDSL to GSL Provisions (NDSL interest rate is 3% compared to 7% for GSL.)		No change	Raise the interest rate in NDSL until it at least equals that of GSL.	Favor NDSL over GSL because institutions more directly and carefully control NDSL, and because NDSL has a lower interest rate.	Raise the NDSL interest rate to 7%. Make the aggregate debt limits and repayment, grace, and deferment provisions consistent with those of the GSL program.	

(Issues)	(H.R. 3471)	(S.2657)	(Administration)	(AACJC)	(ACE)	(AICS)
9. NDSL - Cancellation Provisions (Cancellation of loan obligation for death or disability; partial cancellation provided for teachers serving poor school districts, the handicapped, or preschoolers in Head Start programs and for military service in a combat zone.)	Allow new cancellation provisions to be established by the institution.	No change	Continue to provide reimbursements to institutions for principal and interest cancelled under various statutory provisions and for death or disability, but eliminate future statutory cancellation provisions for NDSL.		Eliminate NDSL's cancellation provisions except for death and disability.	
10. NDSL - Other				Use one formula for NDSL, SEOG, and CWS giving funds directly to the states and displacing regional review panels.		
11. General - The Role of Sallie Mae (SLMA) (Educational institutions may use SLMA for short-term warehousing of loans and selling loans outright. However, by law they must sell loans at par value, while SLMA usually must buy at a discount to cover costs and allow a reasonable rate of return, thus encumbering the access of educational institutions to the loan selling function.)		No change			For institutions that can demonstrate the adequacy of their full-time financial aids staff, expand access to loan capital by allowing them to sell loan paper at a discount to SLMA.	
12. General - Borrowing Limits (NDSL aggregate loan ceilings are $5000 for undergraduates and $10,000 for graduates with no annual limit. GSL aggregates are $7500 and $10,000 for undergraduates and graduates respectively and an annual maximum at $2500.)	Allow NDSL loan amounts to be established by institution. Limit the annual GSL loan to $1000 per year for freshmen, $1500 per year for upperclassmen and a total of $5000 for undergraduates and $10,000 for graduate students. (This may be exceeded for students in high cost professional programs.)	No change	Keep loan maximum at current levels; do not lower		Establish combined borrowing limits for both NDSL and GSL: $2500 per year, $7500 aggregate for undergraduates, $10,000 for graduates (with authority to exceed limits in special circumstances)	

(Issues)	(H.R. 3471)	(S.2657)	(Administration)	(AACJC)	(ACE)	(AICS)
13. General - Financial Aid Staff Capability Requirements (Mute)				Set minimum requirements as prerequisite for participation in FISL loan origination	Set minimum requirements as prerequisite for participation in FISL loan origination	
14. General - Lender Due Diligence Requirements (Requires lender to exercise "reasonable care and diligence in the making and collection of loans.")				Enact stricter due diligence requirements. Require institutions to exercise care in making and diligence in collecting student loans as a condition of receiving capital contributions.	Enact stricter due diligence requirements. Require institutions to exercise care in making and diligence in collecting student loans as a condition of receiving capital contributions.	Enact and enforce strict due diligence requirements under both NDSL and GSL for all institutions -- and make eligible lener status contingent on meeting such rules.
15. General - Administrative Cost Allowance (Institutions may use up to 3% of their NDSL allocations for administrative costs. GSL has no provision.)		Keep current 3% administrative allowance for NDSL. Provide institution with $10 per GSL recipient per year.		Raise NDSL administrative cost allowance to 5% or $50 per student, whichever is higher. Under GSL, provide administrative fee of $10 per student.	Raise NDSL administrative cost allowance to 5% or $50 per student, whichever is higher. Under GSL, provide administrative fee of $10 per student.	
16. General - Repayment Schedule (GSL repayment begins between 9 months and 1 year after completion of schooling in periodic installments over a period between 5 and 10 years. NDSL repayment begins 9 months after schooling in equal or graduated installments over 10 years. NDSL allows a 3 year deferment of payment for service in military, Peace Corps, or VISTA. Both programs allow acceleration payments at the student's request.)	Allow NDSL repayment terms to be established by institutions.	Allows up to one year of relief from repayment during which the borrower is unemployed.				

* Note: In addition to the consumer protection provisions proposed under the Guaranteed Student Loan Program, S.2657 would establish a series of requirements relating to the "fiscal responsibility" of postsecondary institutions which would apply under all Title IV programs, not just GSLP.

PROPOSALS FOR AMENDING THE FEDERAL LOAN PROGRAMS - PART II

Issues (Current Law in Parentheses)	AAU	Carnegie	COFHE	NASFAA	NCHELP	(NSL)
1. General Thrust of Federal Loan Programs (To provide access to loans at reasonable rates of interest and conditions of repayment to enable students to attend the college of their choice.)		Develop a National Student Loan Bank and simultaneously phase out the existing Federal loan programs. Possibly the SLMA could be converted into the National Student Loan Bank.	Diminish the role of loans and place more emphasis on expanded grant programs for access and choice. Modify current loan programs with aim of creating more unified and cost-effective structure of student credit.			Loans should not be based on need but should be available as a matter of right.
2. GSL - Thrust of GSL Program -- State and Federal roles (Lender makes loan directly to student and is protected against loss by state guarantee agency or direct Federal insurance.)		Discontinue eligibility for participation in GSL of students enrolled in institutions in states lacking a state guaranteed loan program, after a specified date (e.g., July 1, 1978)	To remove disincentive to states to provide their own programs, require states electing FISL to reimburse Federal government for 20% of default payments made by USOE to lenders (other than education institutions) in the state.		Amend legislation to achieve equity of Federal investment in all states regardless of who acts as insurer/guarantor.	
3. GSL - Loan Origination (Loan may originate at a postsecondary institution, bank, savings and loan association, insurance company, or a credit union.)	Permit institutions to serve as lenders provided they can demonstrate the adequacy of their full-time financial aids staff.		Continue institutional lender participation; institution could serve as lender under either NDSL or FISL but not both; FISL institutional lender would assume 10% of risk as under NDSL.	Continue institutional lender participation		
4. GSL - In-School Interest Subsidy (For borrowers with adjusted family income of $15,000 or less, or with income greater than $15,000 and a determination of need by the institution, the 7% interest obligation is paid by the Federal government until completion of schooling.)	Maintain present GSL in-school interest subsidy.		Maintain present GSL in-school interest subsidy.		Provide interest subsidy benefits to that portion of middle income families originally covered. The $15,000 income level for interest subsidy benefits of 1965 is now equivalent to an income of $23,000 due to inflation, therefore the qualifying income level should be raised to at least $20,000.	

(Issues)	(AAU)	(Carnegie)	(COFHE)	(NASFAA)	(NCHELP)	(NSL)
5. GSL - Special Allowance (To make loans more attractive to lenders during tight money periods the government is authorized to pay up to 3% to lenders above the 7% chargeable to the student borrower. The special allowance is set quarterly at the discretion of the Secretary of HEW.)	Amend the special allowance provision so that it is tied to prevailing market interest rates.		Amend the special allowance provision so that it is tied to prevailing market interest rates.	Special allowance should be based on an automatic indicator	Tie the special allowance to a cost of money indicator.	
6. GSL - Other			Request the House & Senate committees to study proposals to attract long-term private capital to GSLP.		Equalize the Federal government and state agency responsibility for payment of collection costs for defaulted loans.	
7. NDSL - New Capital Contributions	Continue. However, grant institutions which meet strict due diligence standards the option of giving up NDSL capital contributions in exchange for the guaranty provisions of GSLP/FISLP and access to SLMA, with use of existing NDSL capital pools as working capital for FISL loans.		Continue for those institutions choosing NDSL rather than FISL lender status; FISL lenders would waive further Federal capital contributions.	Continue		Continue
8. NDSL - Conformity of NDSL to GSL Provisions. (NDSL interest rate is 3% compared to 7% for GSL.)	Increase NDSL interest rate from 3% to 7%. Conform the repayment, grace, deferment and forbearance provisions of NDSL and GSL.		Increase NDSL interest rate from 3% to 7%. Conform the repayment, grace, deferment and forbearance provisions of NDSL and GSL.			NDSL should remain low interest and be available as a matter of right; as a last resort, restrict it to needy students.
9. NDSL - Cancellation Provisions (Cancellation of loan obligation for death or disability; partial cancellation provided for teachers serving poor school districts, the handicapped, or preschoolers in Head Start programs and for military service in a combat zone.)	Eliminate all NDSL cancellation provisions except death and disability.		Eliminate all NDSL cancellation provisions except death and disability.	Eliminate cancellation provisions except death and disability and provide for grandfathering continuing students. Exempt principal and interest cancelled by NDSL provisions from Federal taxation as income.		

(Issues)	(AAU)	(Carnegie)	(COFHE)	(NASFAA)	(NCHELP)	(NSL)
10. NDSL - Other	Revise NDSL allotment formula so that each participating institution receives the same percentage of panel-approved funding.		Encourage the prepayment of outstanding NDSL receivables by authorizing NDSL lenders to discount outstanding 3% loans based on a 7% interest rate and the remaining years to maturity. Revise NDSL allotment formula so that each participating institution receives the same percentage of panel-approved funding.	Exempt NDSL from "Truth in Lending" legislation. Allow a school to transfer up to 10% of its allocation to SEOG and/or CWS.		
11. General - The Role of Sallie Mae (SLMA) (Educational institutions may use SLMA for short-term warehousing of loans and selling loans outright. However, by law they must sell loans at par value, while SLMA usually must buy at a discount to cover costs and allow a reasonable rate of return, thus encumbering the access of educational institutions to the loan selling function.)	For institutions that can demonstrate the adequacy of their full-time financial aids staff, expand access to loan capital by allowing them to sell loan paper at a discount to SLMA.		Allow FISL institutional lenders the full use of SLMA.	Allow institutions to purchase, at their option, existing notes for loans taken out by NDSL borrowers from other loan programs or permit Sallie Mae to purchase NDSL notes and consolidate obligation of common borrowers on request.		
12. General - Borrowing Limits (NDSL aggregate loan ceilings are \$5000 for undergraduates and \$10,000 for graduates with no annual limit. GSL aggregates are \$7500 and \$10,000 for undergraduates and graduates respectively and an annual maximum of \$2500)	Establish combined borrowing limits for GSL and NDSL: \$2500 a year, \$7500 cumulative undergraduate, \$20,000 cumulative undergraduate and graduate.		Establish combined borrowing limits for NDSL and GSL at \$1500 for freshmen, \$2000 for each undergraduate year thereafter, and no more than \$7500 total for undergraduate study or \$20,000 for undergraduate plus graduate study. The yearly limits apply for 9-month years and can be raised 1/3 for students studying for 12 months a year. Students engaged in specialized training requiring exceptionally high costs may receive higher annual amounts.	Individual borrowing limits should remain at present levels.		

(Issues)	(AAU)	(Carnegie)	(COFHE)	(NASFAA)	(NCHELP)	(NSL)
13. General - Financial Aids Staff Capability Requirements (Mute)	Establish stringent minimum requirements for institutions relating to the professional capability of financial aids staffs and their capacity to serve as lenders.					
14. General - Lender Due Diligence Requirements (Requires lender to exercise "reasonable care and diligence in the making and collection of loans.")	Establish clear, vigorous requirements for due diligence in collections for both NDSL and GSLP.		Establish clear, vigorous requirements for due diligence in collections for both NDSL and GSLP.	Provide for authority for a state agency or OE to contract with the original lender for special collection efforts beyond the normal due diligence period, but prior to submitting a default claim.		
15. General - Administrative Cost Allowance (Institutions may use up to 3% of their NDSL allocations for administrative costs. GSL has no provision.)	Raise NDSL administrative cost allowance to 5% or $50 per student, whichever is higher. Under GSL, provide administrative fee of $10 per student.			Provide an administrative cost reimbursement to institutions.		
16. General - Repayment Schedule (GSL repayment begins between 9 months and 1 year after completion of schooling in periodic installments over a period between 5 and 10 years. NDSL repayment begins 9 months after schooling in equal or graduated installments over 10 years. NDSL allows a 3 year deferment of payment for service in military, Peace Corps. or VISTA. Both programs allow acceleration payments at the student's request.)	Allow lenders to issue a 10 year graduated or 15 year level repayment note for all or part of the obligation when the student debt level is high (above $4000) in either NDSL or GSL or both programs combined.		Allow lenders to issue a 10 year graduated or 15 year level repayment note for all or part of the obligation when the student debt level is high (above $4000) in either NDSL or GSL or both programs combined.	Extend the payment period for graduate and professional school borrowers to 15 years when the total debt exceeds $10,000. Extended payments should be allowed when both spouses have a combined debt of $10,000. Provide authority for the lender, at his option, to pay off other educational loans and consolidate all borrowing into one note and repayment schedule	Provide greater flexibility in beginning repayment of student loans. Permit a repayment schedule of less than 5 years when mutually agreed to by borrower and lender. Provide temporary relief from repayment to those students unable to obtain employment.	

NASULGC has affiliated with ACE's position on the loan programs.

AASCU believes the NDSL and GSL programs should be continued intact excepting the GSL in-school interest subsidy which should be eliminated.

NCICU recommends deferring payments of the in-school interest subsidy until completion of school and providing administrative cost reimbursements for the GSL program. NCICU recommends raising interest rates to 7% and discontinuing cancellation provisions for NDSL.