DOCUMENT RESUME

ED 380 028 HE 028 144

TITLE	Guaranteed Student Loans: Actions To Ensure Continued Student Access to Subsidized Loans. Report to the Chairman and Ranking Minority Member, Committee on Economic and Educational Opportunities, House of Representatives.
INSTITUTION	General Accounting Office, Washington, DC. Health, Education, and Human Services Div.
REPORT NO	GAO/HEHS-95-64
PUB DATE	Feb 95
NOTE	19p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015 (first copy free, additional copies $2 each; 100 or more copies are discounted 25 percent).
PUB TYPE	Reports - Evaluative/Feasibility (142) -- Tests/Evaluation Instruments (160)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Access to Education; Educational Legislation; *Federal Aid; Federal Legislation; *Finance Reform; *Financial Aid Applicants; Government Role; Higher Education; Interest (Finance); Loan Repayment; *Student Loan Programs
IDENTIFIERS	*Family Education Loan Program; *Stafford Student Loan Program; Student Loan Reform Act 1993

ABSTRACT

This study examined the availability of federally subsidized Stafford student loans for postsecondary education in light of recent legislated changes, specifically the Higher Education Amendments of 1992 and the Student Loan Reform Act of 1993, which authorized the Federal Direct Student Loan Program, brought changes to the Federal Family Education Loan Program, and decreased interest rates lenders may charge for Stafford loans and the rate at which lenders receive reimbursement if borrowers fail to repay the loans. A survey of 43 guaranty agencies was conducted, guaranty agency documents were reviewed, and officials of government agencies and interest groups were interviewed. The study found that many lenders and guaranty agencies expect some eligible students to have difficulty obtaining subsidized Stafford loans over the next few years, as some lenders become selective in making Stafford loans or stop participating in the program. Lender refusals to make loans were not expected to be widespread. If a guaranty agency is unable to provide loans to a student, the U.S. Department of Education has arrangements with the Student Loan Marketing Association to make loans and has arrangements with an agency to serve as a guarantor of last resort. The questionnaire and summary results are appended. (JDD)

United States General Accounting Office

GAO

Report to the Chairman and Ranking Minority Member, Committee on Economic and Educational Opportunities House of Representatives

February 1995

GUARANTEED STUDENT LOANS

Actions to Ensure Continued Student Access to Subsidized Loans

GAO/HEHS-95-64

GAO

United States
General Accounting Office
Washington, D.C. 20548

Health, Education, and
Human Services Division

B-254781

February 24, 1995

The Honorable William F. Goodling
Chairman, Committee on Economic and
Educational Opportunities
House of Representatives

The Honorable William L. Clay
Ranking Minority Member
Committee on Economic and
Educational Opportunities
House of Representatives

Each year millions of students needing financial assistance to attend postsecondary institutions rely on private lenders to provide federally subsidized Stafford loans through the Federal Family Education Loan Program (FFELP) (formerly the Guaranteed Student Loan Program).[1] In fiscal year 1994 lender commitments for subsidized Stafford loans, accounting for most FFELP loans, totaled about $14.8 billion. You asked us to study the availability of federally subsidized Stafford student loans for postsecondary education in light of recent legislated changes. The Higher Education Amendments of 1992 and the Student Loan Reform Act of 1993 authorized the Federal Direct Student Loan Program (FDSLP) and brought changes to FFELP including decreases in the interest rates lenders may charge for Stafford loans and the rate at which lenders receive reimbursement if borrowers fail to repay the loans. These changes have raised concerns about whether lenders will continue to make these loans.

As agreed with your offices, our objectives were to determine (1) how guaranty agency and lender representatives, Department of Education officials, and others perceive the risk that eligible borrowers will have difficulty obtaining subsidized Stafford loans; (2) what arrangements guaranty agencies have in place or are adopting to provide loans to eligible borrowers that may have difficulty; and (3) what the Department is doing to ensure continued access to subsidized Stafford loans.

To address these objectives, we sent a questionnaire to each guaranty agency inquiring about access to subsidized Stafford loans through fiscal

[1]Subsidized Stafford loans are made to financially needy students, and the federal government pays the interest while students are in school. Students not qualified for a subsidized loan may obtain an unsubsidized Stafford loan, but they will be responsible for the interest beginning when the loan is made.

year 1995 and their "lender-of-last-resort" (LLR) programs and plans.[2] Of the 45 guaranty agencies making new guarantees at that time, 43 responded to the survey. See the appendix for a copy of the questionnaire with summary results. We did not verify agencies' responses to the questionnaire.

To supplement the questionnaire results, we reviewed guaranty agency LLR plans that had been approved by the Department. We discussed LLR programs, contingency plans, and agency monitoring efforts with officials from the Department; representatives at the Student Loan Marketing Association (Sallie Mae), a government-sponsored enterprise that purchases student loans from lenders; and with student loan interest groups including the Consumer Bankers Association, which provided us a written reply to questions based on responses from several of its members that lend to students.

Results in Brief

Recent changes to FFELP, as well as the introduction of FDSLP, have raised concerns about whether eligible borrowers will continue to have access to subsidized loans. Many lenders and guaranty agencies expect some eligible students to have difficulty obtaining subsidized Stafford loans over the next few years. Guaranty agencies generally have arrangements to provide loans to these students. If a guaranty agency is unable to provide loans to a student, the Department has arrangements with Sallie Mae to make loans. The Department has also made arrangements with a new agency to serve as a guarantor of last resort if existing guaranty agencies are unable to provide guarantees to lenders. It is difficult to predict how well these arrangements will ensure access to loans after fiscal year 1995, and the issue may need to be reexamined at a later time.

Background

FFELP is the largest source of federal financial assistance to students attending postsecondary institutions. In fiscal year 1994 students received about $23 billion in FFELP loan commitments, including about $14.8 billion in subsidized Stafford loans.[3] The Department of Education pays interest to lenders on the behalf of subsidized Stafford loan borrowers while they are in school and during a subsequent 6-month grace period. This interest benefit is not available to borrowers for other FFELP loans. The private

[2]Through LLR programs guaranty agencies, or lenders that they designate, provide Stafford loans to eligible students who are otherwise unable to obtain them.

[3]The other FFELP loans were unsubsidized Stafford loans, Parent Loans for Undergraduate Students (PLUS), and Supplemental Loans for Students (SLS). The SLS program was terminated July 1, 1994, and merged into the unsubsidized Stafford loan program.

lenders that provide these loans may not discriminate on the basis of race, national origin, religion, sex, marital status, age, or handicapped status but, according to a Department policy official, may deny loans to eligible borrowers who do not meet their lending standards. Lenders may, for example, deny loans to students attending proprietary (for profit, typically trade and vocational) institutions or schools with high loan default rates. They may also withdraw from the program.

Guaranty agencies, designated state or private not-for-profit entities, help administer FFELP by, for example, reimbursing lenders if borrowers fail to repay their loans. If an eligible borrower experiences difficulty obtaining a subsidized Stafford loan, guaranty agencies are required to provide one. The agencies may do so either directly or through a lender authorized to make LLR loans. Guaranty agencies must provide subsidized Stafford LLR loans to eligible students that have been denied a loan by two or more participating lenders. This requirement does not apply to unsubsidized Stafford loans.

Several major changes to the subsidized loan program may influence the availability of loans. The 1992 amendments, for example, reduced the interest revenue lenders can receive from subsidized loans, and the 1993 Student Loan Reform Act reduced the rate at which guaranty agencies generally reimburse lenders if borrowers fail to repay their loans.[4] In addition, the 1993 act established FDSLP to provide loans to students from the Department of Education rather than from private lenders. This program is expected to provide at least 60 percent of federal student loans by the 1998-99 academic year. Such reductions in student loan revenue and competition from the direct student loan program could reduce the profitability of student loans and reduce lenders' willingness to offer new loans to students.

Principal Findings

In response to our questionnaire and in discussions with us, participants in the subsidized Stafford loan program expressed differing views on the risk that eligible students could be denied loans through the end of fiscal year 1995. Most but not all guaranty agencies have arrangements in place to provide loans to students that have difficulty obtaining loans. The Department has several options for ensuring access if guaranty agencies are not able to do so without assistance.

[4]Lenders that make Stafford LLR loans are eligible for 100-percent reimbursement for defaulted loans versus 98-percent reimbursement under most other circumstances.

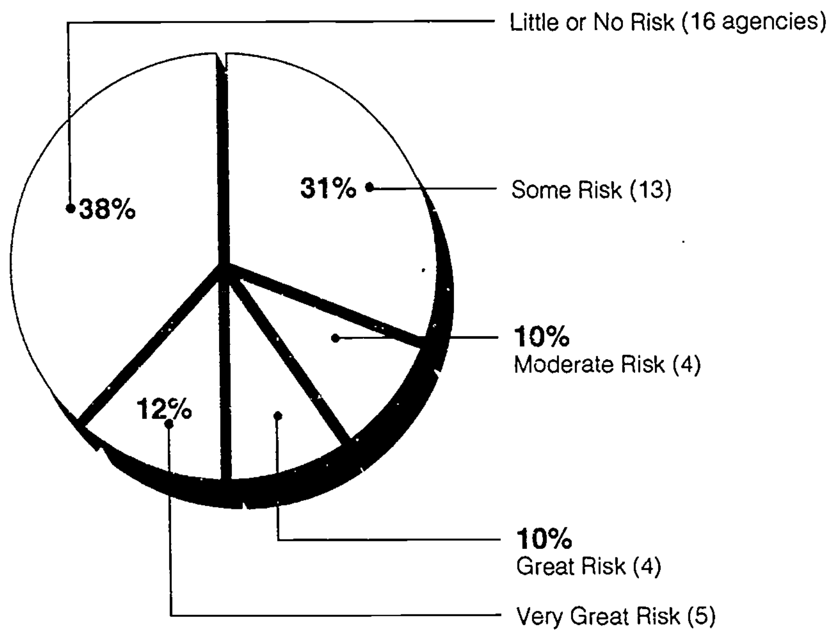
Perceived Risk of Loan Access Problems

As some lenders become selective in making Stafford loans or stop participating in the program, many lenders and guaranty agencies expect some eligible subsidized Stafford loan borrowers to be denied loans by one or more lenders.

We asked program participants to describe the risk that 5 percent or more of eligible borrowers will be refused a subsidized Stafford loan by one or more lenders through the end of fiscal year 1995. Department officials with whom we spoke foresaw little or no risk that lender refusals to make loans would be widespread. Sallie Mae officials also doubted that as many as 5 percent of eligible borrowers would be denied a loan. The President of the Consumer Bankers Association said that there is "some" risk that 5 percent or more would be denied a loan.

The guaranty agencies that responded to our questionnaire had a wide range of views on this question. (See fig. 1.) Thirteen of these agencies rated the risk "moderate," "great," or "very great," while 16 agencies said that there is "little or no risk." The remaining 13 agencies indicated "some risk." One responded that it did not know.

Figure 1: Agencies' Assessments of Whether 5 Percent or More of Eligible Borrowers Could Be Denied a Subsidized Stafford Loan



Note: Percentages do not add to 100 because of rounding.

Concerns that some students will have difficulty obtaining access to loans evolve from lenders' deciding to leave the program or to become selective in making student loans. Additional departures of lenders from FFELP would represent a continuation of a trend begun in the mid-1980s. For example, during fiscal years 1984-1986, between 11,000 and 12,000 lenders participated in FFELP. The number of participating lenders has declined each year since, in part reflecting the general trend of mergers and consolidations in the financial community. By fiscal year 1993 the Department counted fewer than 7,500 active lenders. In response to our questionnaire, 28 agencies said that one or more of their lenders—lenders whose loans they guarantee—had indicated they plan to stop making subsidized Stafford loans sometime in the future. Six agencies said that this included one of their five largest loan volume lenders. Three of these agencies referred to the same lender.

In addition to lenders that may stop making loans, concerns about loan access may arise if lenders choose to become more selective about making loans. Twenty agencies responded that one or more of their lenders planned to stop making loans to students attending institutions with student loan default rates that they—the lenders—consider too high. Most of these agencies said that 5 or fewer lenders would stop making loans, but one agency said that more than 200 lenders would stop.

Guaranty Agency Arrangements for Providing LLR Loans

Most guaranty agencies—40 of the 43 respondents—had arrangements to provide LLR loans to eligible students. These arrangements included agreements with state secondary markets or other participating lenders to provide loans. Through September 30, 1993, the volume of loans provided through these arrangements had been small. More than half of the agencies said that they did not guarantee any LLR loans in fiscal years 1992 or 1993. The 16 agencies that provided data on LLR loans they made in fiscal year 1993 had an aggregate LLR loan volume of $32 million—about 0.3 percent of the $12.5 billion of subsidized Stafford loans made in fiscal year 1993.

Twenty-six of the responding guaranty agencies responded to our question concerning the estimated capacity of their LLR arrangements. Twenty-two agencies estimated that they could have provided about $1.8 billion in LLR loans in fiscal year 1994. This represents an amount that is more than 50 times the total LLR loan volume for fiscal year 1993, and about one-eighth of total subsidized Stafford loan volume in fiscal year 1994. Three agencies cited "unlimited" LLR capacity. The largest guaranty agency, United Student Aid Funds, Inc., said that it has no set maximum on its LLR capacity.

Nearly all of the agencies indicated they had LLR arrangements, and two-thirds had plans that the Department had approved. Department officials said that six agencies had not submitted plans for approval. Plans from the remaining agencies were either pending approval, or the plans submitted had been denied approval and the agencies had not resubmitted their plans. (See table 1.)

Table 1: Status of Department of Education's Approval of Guaranty Agency LLR Plans as of December 1994

Plan status	Number of plans
No plan submitted	6
Plan submitted: Department review pending	2
Plan submitted: Department approved	29
Plan submitted: Department disapproved, not resubmitted	8

Thirty-one guaranty agencies responded that they had agreements with lenders to provide LLR loans, but only 20 agencies had such agreements in writing. All LLR agreements but one either allow lenders to withdraw from their LLR commitments at any time or do not specify withdrawal terms. Four agreements specified that the arrangements applied for a specific time period, ranging from 12 to 18 months.

Department's Plans to Ensure Access to Loans

Department officials told us they have several tools to help ensure that eligible borrowers have access to guaranteed student loans. They can

- assist guaranty agencies in recruiting lenders to provide LLR loans,
- direct Sallie Mae to make the loans,
- provide federal advances (interest-free loans) to guaranty agencies to enable them to make LLR loans, or
- make loans through the direct loan program.

The Department is also developing a data reporting mechanism that, according to Department officials, will improve its monitoring of guaranty agencies' financial posture. It has proposed requiring each agency to submit annual 5-year financial projections.

The Department recognizes that with the implementation of FDSLP, FFELP will require fewer guaranty agencies as the number of direct loans increases in relation to the number of guaranteed loans. Therefore, the Department is—and plans to continue—encouraging consolidation among guaranty agencies through mergers and takeovers in the belief that greater efficiency can be achieved through economies of scale. During the process of this consolidation, lenders could be left without guarantee services being available. In anticipation that such a condition may materialize, in 1994 the Department contracted with the private, nonprofit Transitional Guaranty Agency to provide loan guarantee functions, as the Department determines necessary.

For those guaranty agencies having difficulty getting lenders to make student loans, particularly LLR loans, Department officials told us they can assist the agencies to recruit lenders or seek commitments from current LLR lenders to make more LLR loans. As of November 1, 1994, the Department had assisted one agency. According to Department and agency officials, it helped the California Student Aid Commission identify lenders to provide LLR loans to eligible borrowers at certain schools.

The Department and Sallie Mae signed an agreement through which Sallie Mae could provide up to $200 million of LLR loans through fiscal year 1995. This amount can be increased by mutual written agreement between the Department and Sallie Mae. As of December 6, 1994, Sallie Mae made 149 unsubsidized Stafford LLR loans and 62 subsidized Stafford loans that were guaranteed by the Texas guaranty agency.

Through the Higher Education Act of 1965, as amended, the Department can make federal advances to guaranty agencies to provide loan capital needed to make LLR loans. The statute also provides authority for Sallie Mae to make advances to guaranty agencies to enable them to make LLR loans. In addition, with the implementation of FDSLP, the Department has the option of making direct loans to students if guaranteed loans are unavailable.

Many uncertainties make predictions about the availability of loans in future years very difficult. For example, it is unclear whether guaranty agencies' LLR arrangements will ensure access because many agencies' LLR agreements allow lenders to withdraw at any time. It is also unclear to what extent postsecondary institutions will increase their participation in FDSLP. As institutions elect to participate in FDSLP, the demand for FFELP loans will decline, which may in turn encourage additional lenders to withdraw from the program or become more selective in making loans. On the other hand, the demand for LLR loans may decline if schools whose students are obtaining LLR loans switch to FDSLP. It is also uncertain how the actions of the 104th Congress, whose leadership has pledged to constrain federal spending, might affect federal student loan programs and the Department's ability to ensure access.

Conclusions

Generally FFELP administrators foresaw little or no risk of widespread loan access problems through fiscal year 1995, the period covered by our review. However, several respondents to our questionnaire foresaw more risk. Guaranty agencies have arrangements to provide LLR loans to eligible students that encounter difficulties in obtaining a loan, although most of them allow lenders to discontinue their commitments with little or no advance notice. However, if such arrangements prove inadequate, the Department has several options to ensure students' access to subsidized loans, which have proved adequate in the few instances in which they were used. It is too early to know with certainty if lenders will continue to provide subsidized loans to eligible borrowers, and this issue may need to be reevaluated in the future.

We did our review from March 1994 through January 1995 in accordance with generally accepted government auditing standards. As arranged with your offices, we did not obtain agency comments on this report, although we did discuss its contents with Department program officials. These officials generally agreed with the information presented in the report. They did offer some technical suggestions, which we incorporated where appropriate.

We are sending copies of this report to the Secretary of Education, appropriate congressional committees, and other interested parties.

Please call me at (202) 512-7014 if you or your staff have any questions regarding this report. Major contributors include Joseph J. Eglin, Jr., Assistant Director, (202) 512-7009; Charles M. Novak; Benjamin P. Pfeiffer; Dianne L. Whitman; and Aaron C. Chin.

Linda G. Morra

Linda G. Morra
Director, Education
and Employment Issues

Questionnaire Results

U.S. GENERAL ACCOUNTING OFFICE
Questionnaire to Guaranty Agencies Regarding
Lender Participation and Lender-of-Last-Resort (LLR) Loans

Results in bold italics

INTRODUCTION

The U.S. General Accounting Office (GAO) is conducting a congressionally requested study on the availability of guaranteed student loans to borrowers. As part of this study, we are asking all guaranty agencies to complete this questionnaire. Specifically, we are asking your agency to provide information about the extent of lenders' willingness to continue providing subsidized Stafford student loans and your agency's lender-of-last-resort (LLR) program.

INSTRUCTIONS

This questionnaire should be completed by the person who is most knowledgeable about lender participation and lender-of-last-resort programs. If this person is unable to respond to all of the questions, he or she may wish to seek the help of others in completing this questionnaire.

This questionnaire asks for information related to only subsidized Stafford loans and by federal fiscal year (FFY). Please include all guarantee activity for these loans by your agency, except guarantees for which your agency provides guarantee services on behalf of another agency.

If you have any questions, please feel free to call collect either Dianne Whitman at (206) 287-4822 or Ben Pfeiffer at (206) 287-4832.

Please return your completed questionnaire within 5 days of receipt, in the enclosed preaddresssed business reply envelope or by FAX. If the envelope is misplaced, please send your questionnaire to the address shown below.

Dianne Whitman
U.S. General Accounting Office
Jackson Federal Building, Room 1992
915 Second Avenue
Seattle, WA 98174

FAX: (206) 287-4872

Please provide the following information about the person responsible for completing this questionnaire, so that we will know who to call to clarify information, if necessary.

Name:____________________

Title:____________________

Agency:____________________

Telephone
Number: (   ) ________________

LENDER PARTICIPATION

1. Consider all of your agency's guarantee activity, except guarantees for which your agency provides guarantee services on behalf of another agency. In total, about how many lenders either originated or purchased subsidized Stafford loans guaranteed by your agency during federal fiscal year (FFY) 1993 (October 1, 1992, through September 30, 1993)? *(ENTER NUMBER)*

   ________ lenders
   n=43 range: 1-3,700 mean=263 median=87

2. About how many of these lenders, if any, have informed your agency that they will stop providing subsidized Stafford loans sometime in the future? *(ENTER NUMBER; IF NONE, ENTER '0')*

   ________ lenders
   n=42 range: 0-500 mean=19 median=2

3. How many of your agency's five largest volume lenders in FFY 1993, if any, have indicated that they will stop providing subsidized Stafford loans? *(ENTER NUMBER; IF NONE, ENTER '0')*

   ________ of top 5 lenders
   n=43 range: 0-1 median=0
   6 agencies indicated 1 lender
   37 agencies indicated 0 lenders

BEST COPY AVAILABLE

4. Have any lenders informed your agency that, by the end of FFY 1995 (September 30, 1995), they will <u>no longer</u> be providing subsidized Stafford loans to students attending post-secondary institutions with default rates that the lenders regard as too high? *(CHECK ONE; IF YES, ENTER NUMBER)*

   1. [*20*] Yes --> How many lenders? *(ENTER NUMBER)*

      ________ lenders
      n=18 range: 1-200
      mean=21 median=4

   2. [*23*] No

5. What is your opinion of the risk, if any, that 5 percent or more of eligible borrowers who seek a subsidized Stafford loan will be refused by at least one of your lenders, between now and the end of FFY 1995? *(CHECK ONE)*

   1. [ ] Little or no risk
   2. [*13*] Some risk
   3. [*4*] Moderate risk
   4. [*4*] Great risk
   5. [*5*] Very great risk
   6. [*1*] Don't know

6. In your opinion, is each of the following factors listed below a major reason, minor reason, or not a reason why your lenders may either stop providing or provide fewer subsidized Stafford loans? *(CHECK ONE FOR EACH FACTOR)*

	FACTOR	Major Reason	Minor Reason	Not a Reason	Don't Know/No Opinion
1.	Extent of change in the program	*26*	*11*	*3*	*2*
2.	Increased complexity of the program	*28*	*11*	*3*	*1*
3.	Dissatisfaction with the Department of Education's management of the program	*15*	*14*	[illegible]	*8*
4.	Reduced interest rate and special allowance payments from the Department of Education	*28*	*12*	*2*	*1*
5.	Reduced interest rate paid by new borrowers	*10*	*14*	*15*	*4*
6.	The 0.50 percent loan fee paid by lenders	*22*	*18*	*1*	*2*
7.	Reduction in claims reimbursement rate from 100 to 98 percent (except for LLR and exceptional performance loans)	*22*	*17*	*2*	*2*
8.	Competition from other lenders	*1*	*9*	*30*	*3*
9.	Concern about implications of the Federal Trade Commission (FTC) holder rule	*6*	*22*	*11*	*4*
10.	Expectations that lenders' market share will decline due to direct lending	*14*	*15*	*9*	*5*
11.	Concern about "windfall" profits provision	*14*	*16*	*7*	*5*
12.	Concern about audits of lenders and resulting liabilities	*6*	*19*	*13*	*5*
13.	Other (PLEASE SPECIFY) ________	*8*	*0*	*0*	*1*

BEST COPY AVAILABLE

INSURING ACCESS TO LOANS

7 Regardless of whether or not the Department of Education has approved your LLR plan, what arrangements, if any, does your agency currently have in place for ensuring that eligible borrowers who have been denied a subsidized Stafford loan will receive a loan? *(CHECK ALL THAT APPLY)*

1. [4] We make these loans and hold them as lender-of-last-resort.
2. [2] We make these loans as a lender-of-last-resort and sell them to the state secondary market.
3. [1] We make these loans and sell them to a secondary market other than the state secondary market.
4. [12] We have or arrangement(s) with the state or a state secondary market which makes these loans.
5. [19] We have arrangement(s) with lenders other than those mentioned above who make these loans. --> How many lenders?

   ________ lenders
   n=17 range: 1-14
   mean=3 median=3
6. [14] We refer borrowers to lenders willing to make the loans without a lender-of-last-resort designation
7. [4] We have other arrangements. (PLEASE SPECIFY)

   ____
8. [3] We currently have no arrangements in place

8. Does your agency plan to change its arrangements for insuring access to loans? *(CHECK ONE)*

1. [18] Yes *(CONTINUE)*
2. [25] No *(GO TO QUESTION 10)*

9. Please indicate if your agency plans to make each of the following changes to its arrangements for insuring access to loans? *(CHECK YES OR NO FOR EACH)*
The guaranty agency plans to ...

	YES	NO
1. solicit additional lenders currently not participating in the LLR program.	15	3
2. arrange for commitment by lender(s) currently participating in the LLR program to increase the amount of LLR loans it is (they are) willing to make.	7	9
3. increase the capacity of the guaranty agency to make LLR loans.	6	9
4. turn our LLR responsibilities over to the Department of Education or another entity.	2	12
5. do something else. (PLEASE SPECIFY) ______________	4	5

10. Did your agency provide guarantees for any lender-of-last-resort loans originated during either FFY 1992 or FFY 1993? *(CHECK ONE)*

1. [19] Both FFY 1992 and FFY 1993
2. [1] FFY 1992 only *(CONTINUE)*
3. [0] FFY 1993 only
4. [22] Neither FFY 1992 nor FFY 1993 *(GO TO QUESTION 12)*

BEST COPY AVAILABLE

11 What was the original gross principal dollar amount of lender-of-last resort loans that your agency guaranteed during FFY 1992 and during FFY 1993? If you cannot provide the data by federal fiscal year, please enter the dollar amount and the annual time period for which you do have information. *(ENTER DOLLAR AMOUNT; IF NONE, ENTER '0')*

Original Gross Principal Dollar
Amount of LLR Loans

1. FFY 1992 $ ________ [4] Can only provide for different time period, which is ________________
n=17 range: $0-$9,206,288
mean=$1,078,043 median=$184,800
sum=20,482,810 [2] Data not available for any time period

2. FFY 1993 $ ________ [4] Can only provide for different time period, which is________________
n=16 range: $0-$14,026,992
mean=$1,763,254 median=$172,847
sum=31,738,576 [2] Data not available for any time period

12. What is the projected gross dollar amount of your agency's subsidized Stafford loan guarantees during FFY 1994? *(ENTER DOLLAR AMOUNT)*

$ ____________
n=41 range: $1,450,000-$1,200,000,000
mean=$239,761,649 median=$137,500,000
sum=$9,830,227,591

13. Consider your agency's projected FFY 1994 dollar amount for subsidized Stafford loans. What is the maximum amount that could be handled through your agency's current LLR loan arrangements? *(ENTER DOLLAR AMOUNT; IF NONE, ENTER '0')*
$ ____________
n=26 range: $120,000-$1,200,000,000
mean=$83,260,670 median=$20,500,000
sum=$1,831,734,729
Also 3 agencies indicated "unlimited"
and one indicated "no set maximum"
[17] Don't know

BEST COPY AVAILABLE

14. If the dollar amount of LLR loans were to become greater than could be handled through your agency's current arrangements, please indicate if your agency would take each of the actions below and if yes, how likely it is, or not, that this action would succeed in increasing access to loans.

ACTION	(CHECK ONE FOR EACH) Take Action? Yes	No	N/A	If Yes -->	(IF YES, CHECK ONE FOR EACH ACTION) Likelihood That Action Would Increase Access: Very Likely	Somewhat Likely	Not Likely	Don't Know
1. Solicit additional lenders not currently in LLR program to provide loans	35	4	2	If Yes -->	22	7	5	1
2. Seek additional guaranty agency funding from non-federal sources to make loans directly	9	25	3	If Yes -->	1	7	1	0
3. Request that the state secondary market seek additional funding to enable it to either make LLR loans or purchase them from the guaranty agency	24	9	8	If Yes -->	11	12	0	0
4. Ask the Department of Education to advance funds to enable the guaranty agency to make these loans	15	20	2	If Yes -->	6	1	4	3
5. Ask the Department of Education to request that Sallie Mae make these loans	22	17	1	If Yes -->	11	9	1	1
6. Ask the Department of Education to make the loans directly	6	27	3	If Yes -->	2	3	1	0
7 Ask the Department of Education for other forms of assistance (PLEASE SPECIFY) ____________	2	24	7	If Yes -->	1	1	0	0
8. Make other arrangement(s): (PLEASE SPECIFY) ____________	0	14	9	If Yes -->	0	0	0	0

BEST COPY AVAILABLE

15. Does your agency currently have any verbal (informal) or written (either informal or formal) agreements for LLR loans with participating lenders? *(CHECK ONE,*

1. [*11*] Verbal only *(GO TO QUESTION 21)*
2. [*6*] Written only *(CONTINUE)*
3. [*14*] Written and verbal *(CONTINUE)*
4. [*11*] Neither *(GO TO QUESTION 21)*

16. With how many participating lenders does your agency have written agreements for lender-of-last-resort loans? *(ENTER NUMBER)*

__________ lenders
n=19 range: 1-14 mean=2 median=1
[*0*] Check here if this is an estimate
[*1*] Data not available

17. Do the terms of any of these written agreements allow the lenders to withdraw from the agreements at any time? *(CHECK ONE)*

1. [*13*] Yes, in all cases
2. [*0*] Yes, in some cases
3. [*1*] No, may not withdraw
4. [*6*] Withdrawal terms not specified

18. Do any of these written agreements specify a length of time to which the terms apply? *(CHECK ONE)*

1. [*4*] Yes--> What proportion specify a length of time? (ENTER PERCENTAGE)

2 indicated 100%

2. [*16*] No *(GO TO QUESTION 20)*

19. For what length of time do most of these written agreements apply? (ENTER NUMBER OF YEARS)

________ Years
n=4; 3 indicated 1 and 1 indicated 1.5

20. In any of these written agreements, can your lenders refuse to make a lender-of-last-resort loan to an eligible borrower: *(CHECK ONE FOR EACH; IF NOT SPECIFIED, CHECK 'N/S')*

		YES	NO	N/S
1.	... when the loan amount is below a minimum level?	*13*	*7*	*0*
2.	... when the loan would cause the lender to exceed a limit on the maximum number of loans?	*2*	*14*	*3*
3.	... when the loan would cause the lender to exceed maximum amount of lender-of-last-resort loans it will make?	*5*	*13*	*1*
4.	.. under an other condition? (PLEASE SPECIFY) __________	*3*	*6*	*3*

COMMENTS

21. Please provide below any comments that you have about this study, this questionnaire, or the LLR program.

THANK YOU FOR YOUR HELP!

(104754)

BEST COPY AVAILABLE

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

unting Office
D.C. 20548-0001

Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100

ness
rivate Use $300

rection Requested