

**The original documents are located in Box 61, folder “Student Loan Marketing Association” of the Philip Buchen Files at the Gerald R. Ford Presidential Library.**

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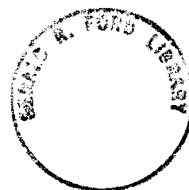
~~Passport~~ Student Loan  
Marketing  
Assoc.  
THE WHITE HOUSE  
WASHINGTON

December 19, 1974

MEMORANDUM FOR: JERRY JONES  
FROM: PHILIP BUCHEN P.W.B.  
SUBJECT: Determination Regarding Election of  
Student Loan Marketing Association  
Board of Directors

The attached papers are returned for further background as a basis for the President's decision. In particular, the President should be advised as to:

- (1) What was the purpose of vesting this judgement in the President, and what kind of criteria did the Congress have in mind?
- (2) How do the present facts compare to the Congressional purpose?
- (3) What practical pressures weigh in favor of acting now? What are the disadvantages of waiting?
- (4) What are the risks of vesting control in too small and unrepresentative a group of stockholders by acting now?
- (5) What are the realistic prospects for expanding ownership in the immediate future?



THE WHITE HOUSE

WASHINGTON

December 18, 1974

MEMORANDUM FOR: PHILIP BUCHEN

FROM: DUDLEY CHAPMAN *DC*

SUBJECT: President's Determination Regarding  
Election of Student Loan Marketing  
Association Board of Directors

The attached paper presents opposing views by Secretary Weinberger and Roy Ash (favoring), and Secretary Simon (opposing), a judgment to be made by the President. The judgment is whether sufficient stock has been sold in a government-sponsored private corporation to warrant turning its control over to the private stockholders.

The statute provides no criteria for how the President should make this judgment:

"When in the judgment of the President, sufficient common stock of the association has been purchased by educational institutions and banks or other financial institutions, the holders of common stock which are educational institutions shall elect . . ."

I do not believe the attached papers are completed staff work. No explanation is made of the purpose of the Presidential judgment based on the legislative history of the statute. Both the Simon and Weinberger memos seem overly cryptic, failing to set out the competing policy issues. In sum, I do not find an adequate basis for making a recommendation to the President.

Attached is a draft memorandum to Jerry Jones that would correct this.





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

NOV 26 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Determination regarding election of Student  
Loan Marketing Association Board of Directors

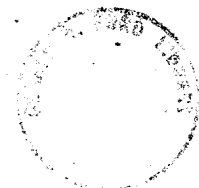
The Student Loan Marketing Association (SLMA) was established by the Education Amendments of 1972 (P.L. 92-318) as a government-sponsored, private corporation to provide liquidity for guaranteed student loans by serving as a secondary market and a warehousing facility.

SLMA currently operates under an interim board of 21 directors, appointed by the President. By statute, SLMA common stock may be purchased only by eligible financial and educational institutions. Public Law 92-318 calls for a judgment by you regarding sufficiency of stock purchases before stockholding financial institutions may elect their seven board members and educational institutions may elect their seven. You appoint the remaining seven members to represent the general public.

Edward A. McCabe, Chairman of the SLMA Interim Board, wrote you on September 19 to request that you make your judgment regarding sufficiency of SLMA stock purchases. Secretary Weinberger recommends a favorable determination. Secretary Simon recommends that you not make a determination now.

Eligible institutions have purchased 166,667 shares of SLMA common stock for some \$25 million. Although only 2.1 percent of those institutions eligible to purchase stock did so, these institutions held an estimated 28 percent of student loans outstanding as of June 30, 1973. The 553 shareholders are located in 44 States, the District of Columbia and Puerto Rico.

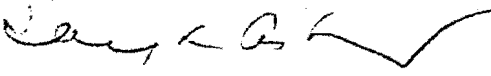
SLMA's stock issue has suffered from general market conditions, and because SLMA is a new organization with no earnings record. Nevertheless, every eligible institution has been afforded an opportunity to purchase stock.



I believe that turning control of fourteen seats on the SLMA Board of Directors over to those institutions which have invested \$25 million will be a positive step toward making SLMA more responsive to the needs of participants in the Guaranteed Student Loan Program. I see no gain from delaying your determination.

Accordingly, I recommend that you determine that sufficient common stock has been purchased to permit an election of directors by SLMA shareholders. Your seven appointments to the board may be announced at a later time, prior to the first meeting of the new board.

A draft memorandum of determination and a letter to Chairman McCabe are attached.

  
Roy L. Ash  
Director

Attachments



THE WHITE HOUSE

WASHINGTON

Dear Mr. McCabe:

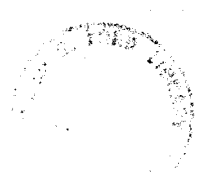
I have today determined that sufficient common stock of the Student Loan Marketing Association has been purchased by educational institutions and banks or other financial institutions, and therefore that the election of directors by stockholders may take place. Enclosed herewith is the memorandum of determination.

Let me take this opportunity to thank you and all the members of the interim Board of Directors for your efforts in guiding the Student Loan Marketing Association during its initial period of operation. I look forward to the future growth of the Association as an important source of funds for lenders who provide loans to postsecondary students.

Sincerely,

Enclosure

Mr. Edward A. McCabe  
Chairman of the Board  
Student Loan Marketing Association  
1750 K Street, N.W.  
Washington, D. C. 20006



P.L. 92-318 Sec. 439(c)(3)

When in the judgment of the President, sufficient common stock of the Association has been purchased by educational institutions and banks or other financial institutions, the holders of common stock which are educational institutions shall elect seven members of the Board of Directors and the holders of common stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven directors, who shall be representative of the general public.

D R A F T

MEMORANDUM OF

[Presidential Determination No. 7]

SALE OF COMMON STOCK OF THE STUDENT LOAN  
MARKETING ASSOCIATION

Memorandum for the Chairman of the Board,  
Student Loan Marketing Association

THE WHITE HOUSE  
Washington

Pursuant to the authority vested in me by the Education Amendments of 1972 (P.L. 92-318), I hereby determine that sufficient common stock of the Student Loan Marketing Association has been purchased by educational institutions and banks or other financial institutions, and that therefore the holders of common stock which are educational institutions may elect seven members of the Board of Directors, and the holders of common stock which are banks or other financial institutions may elect seven members of the Board of Directors.

I shall appoint seven directors to represent the general public in advance of the first meeting of the new Board.

You are requested on my behalf to convey this determination to the holders of common stock in the Student Loan Marketing Association.

This determination shall be published in the Federal Register.





THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

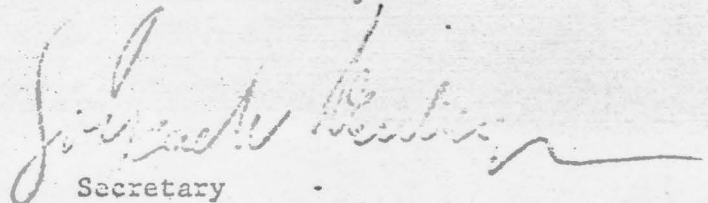
NOV 8 1974

MEMORANDUM FOR HONORABLE PAUL H. O'NEILL,  
ASSOCIATE DIRECTOR FOR  
HUMAN AND COMMUNITY AFFAIRS,  
OFFICE OF MANAGEMENT AND BUDGET

This is in response to your request of October 17, 1974, for my comments and recommendation concerning the request of the Student Loan Marketing Association that the President now determine that sufficient common stock of the Association have been purchased for an election of members of the board of directors to occur.

Although the proportions of eligible lenders and educational institutions who have purchased common stock are small, participation has been reasonably well balanced in terms of their relative participation as lenders under the Guaranteed Student Loan Program. A postponement of the requested Presidential determination in order to achieve more widespread ownership of the stock might well be protracted. The Association's stock purchase requirement would probably have to be relied on to achieve such wider ownership, and will have this effect in any case.

Accordingly, I see no purpose in delaying the requested action, and I recommend that the President make the necessary determination.

  
Secretary



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220


OCT 21 1974

MEMORANDUM FOR PAUL H. O'NEILL, ASSOCIATE DIRECTOR  
FOR HUMAN AND COMMUNITY AFFAIRS  
OFFICE OF MANAGEMENT AND BUDGET

In response to your memorandum of October 17, 1974, I recommend that the President not make a determination at this time that sufficient common stock of the Student Loan Marketing Association has been purchased by educational institutions and banks or other financial institutions. Such a determination by the President would permit the stockholders to elect two-thirds of the SLMA board of directors to replace the interim directors appointed by the President. I do not feel that SLMA has made sufficient progress toward achievement of its statutory objectives to justify the transition to permanent private control.

While SLMA has been in existence for 22 months, its initial stock sale of \$24 million was completed only 4 months ago. The \$24 million stock sale is far short of the \$105 million common stock goal initially established by SLMA, and the stock is held by less than 3 percent of the institutions participating in the guaranteed student loan program. Moreover, SLMA has accumulated only about \$175 million in its loan portfolio, compared to its \$1 billion target.

I am also concerned about the financing of SLMA's debt issues. We have been financing SLMA through the Federal Financing Bank. Yet, FFB financing is not available to the Federal National Mortgage Association, which is controlled by a board of directors elected by FNMA stockholders. While SLMA obligations may be guaranteed by the Secretary of Health, Education, and Welfare until July 1, 1982, and are thus technically eligible for FFB financing, the appropriateness of such financing would need to be reviewed in connection with any transition to private stockholder control of SLMA.

  
William E. Simon



JANUARY 29, 1975

Office of the White House Press Secretary

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THE WHITE HOUSE

TEXT OF A LETTER FROM THE PRESIDENT  
TO MR. EDWARD A. McCABE,  
CHAIRMAN OF THE BOARD,  
STUDENT LOAN MARKETING ASSOCIATION

January 29, 1975

Dear Mr. McCabe:

I have today determined that sufficient common stock of the Student Loan Marketing Association has been purchased by educational institutions and banks or other financial institutions. Therefore, I request you to proceed with the election of directors by the stockholders. Enclosed herewith is the memorandum of determination.

Let me take this opportunity to thank you and all the members of the Interim Board of Directors for your efforts in guiding the Student Loan Marketing Association during its initial period of operation. I look forward to the future growth of the Association as an important source of funds for lenders who provide loans to postsecondary students.

Sincerely,

GERALD R. FORD

Enclosure

Mr. Edward A. McCabe  
Chairman of the Board  
Student Loan Marketing Association  
1750 K Street, N.W.  
Washington, D.C. 20006

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