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GUARANTEED STUDENT LOANS

- Q. We understand that there is an extremely high default rate in the Guaranteed Student Loan Program. What is your Administration doing to reduce this rate?
- A. Since January of this year, the Administration has intensified its effort to examine the reasons behind the increased default rate in a Guaranteed Student Loan Program. Additionally, we have attempted to have the Congress enact legislative proposals which would close-up some of the loopholes students have utilized to create this default rate. In particular, we have asked the Congress to eliminate the legitimacy of bankruptcy and the defense of infancy. Further, the Department of Health, Education and Welfare has issued regulations which will eliminate many of the possibilities for abuse. We will continue to develop the necessary regulations and legislation to further reduce the possibility of either students or institutions from defrauding or cheating the federal government.

Background

The current projected default rate of the Guaranteed Student Loan Program is about 18%. HEW investigations to date indicate that this default rate can be reduced somewhat through improved program administration, to include enhanced data collection, more extensive and complete regulations and increased staff. However, it is fair to say that it is not possible to attain tight control over the program until FY 1978. The default rate is not likely to see any dramatic decreases until that time.

Congress is considering legislation which may end the federal program in its entirety. The Administration supports continuation of the federal program with the necessary modifications to insure greater efficiency and effectiveness.

DRL/S/26/75