

219

**Macias, Wendy**

---

**From:** Macias, Wendy  
**Sent:** Wednesday, June 24, 2009 9:48 AM  
**To:** negreg09  
**Subject:** FW: Giving campuses discretion to reduce Stafford loan maximums  
**Attachments:** loanreductionauthoritylanguageJune16.doc

---

**From:** [REDACTED]  
**Sent:** Monday, June 22, 2009 10:14 AM  
**To:** [REDACTED]  
**Subject:** Giving campuses discretion to reduce Stafford loan maximums

Bob:

I met with Luke Friday to discuss the attached. He said that it would be extremely helpful to get you on board.

I have shared this with you previously and we had a brief conversation about it last winter. At that time, you suggested that the revamped Perkins program might be a more appropriate vehicle for this policy. Whatever ultimately develops around Perkins, and we are supportive of the Administration's efforts, we believe that Stafford needs to be addressed as well.

The guiding principle here reflects the obvious reality that not all community college students are equally good candidates for borrowing. In terms of the advisability of their taking on debt, a student who needs a great deal of remediation falls into a much different category than a well-prepared student about to enter a nursing or robotics program. Or perhaps no student should take out a Stafford loan until their second period of enrollment. Colleges need to have some ability to make these discriminations on something other than a case-by-case basis, as this existing authority has proven to be entirely unhelpful. The increased loan maximums of the past two years make adoption of this policy that much more urgent.

We believe that our student financial aid officers and other administrators would use this discretion thoughtfully. The perverse effect of the existing system is that, as you well know, many colleges opt out of the loan programs altogether. Some of this behavior is probably driven by a misapprehension of potential penalties stemming from high default rates, but much is also due to a strong campus bias against seeing high-risk students taking out thousands of dollars of loans. While various income-sensitive repayment solutions may well make the most policy sense, in my judgment they do not reflect current institutional realities.

I hope you will give this proposal another look and support us in our effort to get this enacted in the reconciliation bill. ([REDACTED] reminded me that it needs to score first.) I have also shared this with [REDACTED]

Thanks for your consideration and please let me know what you think.

[REDACTED]