How the guaranteed student loan program works

(CPS) - The federally guaranteed student loan program has five key players: students, schools, lenders, guarantee agencies and the U.S. Department of Education. Here's how it works.

A student applies for a loan.

First, a student goes to the campus financial aid office.

There, campus aid officials will use federal guidelines to do a "needs analysis." It will determine if the student qualifies for a loan, and how much money the student can get.

Going to the bank.

If the student qualifies, he or she then applies for a loan to a qualified lender (a local bank or credit union that meets federal guidelines).

The lender then decides whether to make the loan.

The guarantee agency

Students, however, don't make very good credit risks. They typically have no credit history to show banks they honor their debts, and they have few assets a bank can seize if they fail to repay their loans.

So the government, hoping to encourage banks to help students get money for education, set up agencies to guarantee banks that they can get their money back even if a student borrower doesn't repay them.

There are now 55 guarantee agencies in the U.S. which are recognized by the federal government.

The agencies keep students, schools and lenders abreast of federal loan regulations, and make sure they follow them.

Where the money goes

When the bank agrees to lend the student, say, $2,500, it will take part of the money as an "origination fee," send part of it to the guarantee agency as an "insurance" payment, and write a check to the student for the remainder.

The student uses the proceeds to pay his or her tuition.

The bank pockets the "origination fee" to cover its expenses in processing the loan.

The guarantee agency puts the "insurance" payment into an account to use if it has to reimburse a bank for money that a student fails to repay.

When a student defaults

When a student defaults on a loan, the bank has to try to track the student down to get him or her to repay.

If the bank can't collect its money, it can then ask the loan guarantor to reimburse it.

The guarantor makes sure the lender really tried to collect the money. If it did, the guarantor then pays the bank.

The agency then asks the U.S. Department of Education reimburse it for the total amount of the loan.

The feds pay up

Yet if a guarantee agency does a bad job by approving loans to too many deadbeat students, the Education Department won't reimburse the guarantee agency for the entire amount the agency owes to a bank.

If more than 5 percent of the loans it guaranteed are in default, the agency can get only a partial reimbursement from the Education Dept.

How the Current Crisis Started

The biggest loan guarantor in the country - called the Higher Education Assistance Foundation (HEAF) - had guaranteed too many loans that couldn't be collected.

As a result, the Education Department had been reimbursing HEAF for only 80 percent of the money HEAF was repaying to banks.

Consequently, HEAF is paying out more money to banks than it can collect from students or the federal government.

What could happen next

Some observers fear that local banks and credit unions, worried that the guarantee agencies won't have enough money to reimburse them for defaulted loans, will stop believing the money is truly guaranteed and consequently will stop making college loans to students.

Student Government approves $1,000 undergraduate scholarships

by Karen Splawn
Staff Reporter

A new scholarship program where undergraduates would be awarded $1,000 was unanimously approved by the Student Government Senate Sept. 27.

Undergraduates who want to enter careers requiring education beyond a bachelor's degree would be eligible, said Allen Chastain, an advisor to Student Government. The first scholarships will be awarded next May.

It will be open to all majors of junior or senior status with a 2.75 GPA, and recipients would receive $500 for the fall and spring semesters, Chastain said.

Scholarship financing will be provided by Student Financial Services, Chastain said.

A committee to choose recipients will be formed by Student Government members. Chastain said that senators are eligible, so long as they do not receive stipends of any kind. Financial Services will receive the applications.

Several new senators were chosen by the senate and sworn in by Kara Kelley, associate justice of the Judicial Council. They are Crystal Ortega, 19, and Mike Young, 20 (Liberal Arts); Joel Kostman, 25 (Physical Education); Wendy Fenmark (Student Development) and Tracy Barkhuff, 19 (Education).

In other business, the senate:

—Appointed six members of Student Government to serve on various committees. They are Sen. Kelly Best (Faculty Senate Code Committee), Senate Secretary Becky Bermingham (Faculty Senate Curriculum Committee and the Elections Board), Sen. Marie Bernardi (Faculty Senate General Education Committee), Publications Board Director John Ynigues (Elections Board) and Sen. Monica Ricci (Elections Board).

Information broadcast to be sponsored by Marriott and Coca-Cola USA

Marriott Corporation and Coca-Cola USA will sponsor a live, satellite broadcast this fall to inform college students about the future growth of the hospitality industry and the employment prospects it offers.

Originating from Marriott International Headquarters in Bethesda, MD, the 50-minute broadcast will air at 1 p.m., (Eastern Daylight Time) on Oct. 3, 1990. The University of Nevada, Las Vegas has been chosen as one of the 30 schools in the country to receive this broadcast. It will be viewed at Flora Dungan Humanities Room 143 at 10 a.m. It will feature J.W. Marriott, Jr., chairman and president of Marriott Corporation, who will give his views on the industry and take questions from students.

In addition to remarks by Mr. Marriott, a panel of junior managers will discuss their transition from college to positions with Marriott Corporation. Students also will be able to ask the panelists questions.

Although the broadcast is designed primarily for hotel, institutional and restaurant management majors, other students are invited to attend so that they may learn more about the hospitality industry and Marriott Corporation. All students attending the broadcast will be eligible to win a laptop computer donated by Marriott.

Debate

from page 1

UNLV's newest debater, Greg Shively, claimed that without guns to protect them, citizens are vulnerable to attack. He listed various reasons why guns are an important asset to a person's safety.

McKie, however, turned back to American television to counter the idea of guns being used for personal protection.

"People watch 'MacGyver' and think they can make a Browning (pistol) out of detergent bottles and scotch tape. They get wrong ideas," he said.

McKie said a gun would be little help if a person were being mugged.

"The situation they're suggesting is that you should stand there (confronted by a mugger) with your 'Junior G-Man Starter Pistol' and say, 'Halt!'"

McKie claimed the only sensible thing to do when confronted by a mugger was to "run like hell."

The debate was an exhibition. There were no judges present and both teams handled the friendly spirit of competition with humor and wit.

Tom Murphy, director of Debate and Forensics at UNLV, introduced the speakers and spoke of UNLV's young debate team.

The team, while only a year old, has placed in tournaments throughout the country, including a finish in octafinals at the Novice National Finals at Towson State University in Maryland.

Murphy is pleased that the team has talented freshmen and sophomores, such as debaters Bradley and Shively, with which to grow.

Yell Photo / Marc Baruch

Backup - UNLV team member makes a point to backup his teammate during the British/American debate held last week.