

ADDITIONAL COSPONSOR—S. 1173

Mr. BYRD. Mr. President, I ask unanimous consent that the name of Mr. DASCHLE be added as a cosponsor to amendment No. 1397, the Byrd-Gramm-Baucus-Warner amendment to S. 1173, the ISTEAA reauthorization bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD. Mr. President, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. JEFFORDS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

EMERGENCY STUDENT LOAN CONSOLIDATION ACT OF 1997

Mr. JEFFORDS. Mr. President, I want to bring to the attention of my colleagues an important matter, which I hope can receive consideration before we leave this fall.

Last week, the Senate Committee on Labor and Human Resources unanimously reported out a bill, S. 1294, the Emergency Student Loan Consolidation Act of 1997. This measure is a modest, but extremely important, effort designed to assist students attempting to finance their higher education.

The measure enjoys broad bipartisan support. The House companion bill, H.R. 2335, was approved by a vote of 43 to 0 by the House Committee on Education and the Workforce. This measure, with language identical to S. 1294, as reported by the Labor Committee, was subsequently approved by the full House under suspension by voice vote. It has also been endorsed by national associations representing students and institutions of higher education.

I ask unanimous consent that a letter from Dr. Stanley O. Ikenberry, president of the American Council on Education, be printed in the RECORD following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.
(See exhibit 1.)

Mr. JEFFORDS. Mr. President, the House measure is now being held at the desk and is available for immediate action by the Senate. It has been cleared on the Republican side of the aisle. Unfortunately, due to objections from the other side of the aisle, we are unable to consider it.

I want to take this opportunity to discuss the provisions of this legislation and the need to move expeditiously on it. This legislation does two things:

First, it permits individuals to consolidate all their student loans—both Federal Direct Loan Program [FDLP] loans and Federal Family Education Loan Program [FFELP] loans—into a FFELP consolidation loan. Under cur-

rent law, students who have both direct and guaranteed loans may only consolidate them into an FDLP consolidation loan administered by the Department of Education.

The problem is that FDLP consolidation is not an option right now. Since August 26, the Department has suspended its consolidation program in an effort to deal with the backlog of 84,000 applications which had piled up prior to that time.

Second, it assures that students and their parents will enjoy the full benefits of the educational tax credits contained within the Taxpayer Relief Act of 1997 by excluding these tax credits from consideration when student financial need is being assessed.

Let me talk for a moment about why it is important to offer a loan consolidation option to those students who, right now, have nowhere to turn. The student loan consolidation program allows students to consolidate multiple student loans into a single loan that has several repayment options. The benefits of consolidation include the convenience of making a single monthly loan payment. In addition, the repayment options can reduce monthly payments. For many young families, these loans reduce their monthly payments enough to allow them to qualify for a mortgage for their first home.

In my view, we need to make every possible effort to assure that consolidation is a benefit to students—not just another obstacle course. A New York Times article about the series of problems which has plagued the FDLP consolidation program operated by the Department of Education under contract with Electronic Data Systems Corp. brings to life the individuals whom this legislation is trying to help.

Consider the following account regarding Shannan Elmore:

It seemed like a simple enough thing to do: consolidate 10 different Government-sponsored college loans due over 10 years into one jumbo loan payable over 25, slashing the monthly payment to \$350 from \$448. That was one of the last things standing between Shannan Elmore and mortgage approval for the house—the one whose concrete foundation her husband had proposed in front of—that she wanted to build near Boulder, CO. But Mrs. Elmore, a 30-year-old chemist who graduated in May 1996 with a master's degree and \$43,000 of debt, said it took eight months for the Electronic Data Systems Corporation to do the paperwork—far too long to satisfy the mortgage lender. During those months, Mrs. Elmore said, she called frequently only to be put on hold—for as long as 45 minutes—and received one promissory note missing the very page her lender needed to see. She said she was still trying to clear up a loan that E.D.S. thinks it paid off twice and for which it is double-billing her. The Elmores eventually qualified for a mortgage, but for a different house.

Mr. President, I ask unanimous consent that the full text of the article, which appeared in the New York Times on October 1, 1997, appear in the RECORD following my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. JEFFORDS. Mr. President, Department of Education officials have been working diligently to resolve the problems with the consolidation program and have indicated that it will reopen by December 1. I believe we would all welcome seeing the program back on its feet. In the meantime, we need to give students another option right now.

We also need to help alleviate the pressure on the direct consolidation loan program which will inevitably occur when it reopens—only to face the pent-up demand built up over a 3-month period. Prior to the shutdown, applications were running approximately 12,000 per month.

This legislation is intended to provide immediate relief to students and is designed specifically for that purpose. It modifies the current FFELP consolidation program to assure that loan subsidies are maintained, to provide for the same interest rate in effect for FDLP consolidation loans, and to protect borrowers against discrimination.

The bill does not, nor is it intended to, address every issue which has been raised with respect to the loan consolidation provisions of the Higher Education Act. In anticipation that these issues would be fully debated and addressed in next year's reauthorization of the act, the consolidation provisions of this legislation will expire on October 1, 1998.

Finally, this legislation also includes important provisions dealing with the calculation of student aid under the Higher Education Act.

The Taxpayer Relief Act of 1997 contained two educational tax credits designed to help students and their families pay for the rising cost of higher education. Under current law, the need analysis formula will consider students and their parents who receive the tax credit as having greater resources to pay for college, thereby reducing their eligibility for student financial aid. As a result, students and their families will find their financial aid reduced and that the amount they expended for higher education remained relatively unchanged by the educational tax credits.

If the change in the need analysis formula included in this legislation is not made, approximately 69,000 individuals will lose an estimated \$120 million in student financial aid.

I do not believe that this needed relief for students should be further delayed, and I urge my colleagues to withdraw their objections so we can get this measure to the President.

Mr. President, I want to just please urge those who are opposing the consideration of this bill to at least take the time to fully understand the ramifications of their failure to allow this bill to come up. I am sure that when they do so, they will recognize that this is not something which should be left undone before we leave here this fall.

EXHIBIT 1

AMERICAN COUNCIL ON EDUCATION,
OFFICE OF THE PRESIDENT,
Washington, DC, October 28, 1997.

DEAR SENATOR: I write on behalf of the undersigned to express our strong support for S. 1294, the "Emergency Student Loan Consolidation Act of 1997." This urgent legislation contains two important provisions, each of which provides significant benefits for students.

First, the bill amends the student aid need analysis section of Title IV to exclude from parental or student income the amount of any tax credit claimed under the "Taxpayer Relief Act of 1997." This is an essential conforming change that is necessary to fulfill the intent of framers of the tax bill regarding the Hope Scholarship and Lifetime tax credits.

Second, the bill provides temporary, but much-needed, relief for tens of thousands of borrowers whose access to Direct Consolidation loans has been limited due to the problems experienced by the Department of Education in implementing the Consolidation program. While we hope the Department will soon eliminate the massive backlog of applications, and that it will be able to accept and process applications soon, it is important to provide additional consolidation options for borrowers who desperately need help now. S. 1294 will provide several significant borrower benefits:

The bill allows borrowers to consolidate their student loans not only through the Direct Consolidation program, but also through the lender of their choice in the Federal Family Education Loan Program (FFELP).

It lowers the interest rate on FFEL Consolidation loans, and sets a maximum cap on interest at the same rate as is currently in effect for Direct Consolidation loans.

It equalizes the treatment of certain interest exemption benefits for all borrowers by extending the Direct Consolidation program's treatment of these exemptions to the FFEL Consolidation program.

The bill provides adequate non-discrimination provisions that go beyond current law in FFELP in limiting lender discretion.

We respectfully request that you join us in supporting this important legislation, which provides a broad array of much-needed student benefits.

Sincerely,

STANLEY O. IKENBERRY,
President.

On behalf of the following:
American Council on Education.
American Association of Community Colleges.

American Association of State Colleges and Universities.

Association of American Universities.

National Association of Graduate and Professional Students.

National Association of Independent Colleges and Universities.

National Association of State Universities and Land-Grant Colleges.

United States Public Interest Research Group.

United States Student Association.

EXHIBIT 2

[From the New York Times, Oct. 1, 1997]

DROPPING THE BALL IN JUGGLING LOANS; A LOT OF FUMBLES BY E.D.S. IN PROCESSING STUDENT DEBT

(By Carol Marie Cropper)

DALLAS, SEPT. 30.—It seemed like a simple enough thing to do: consolidate 10 different Government-sponsored college loans due over 10 years into one jumbo loan payable

over 25, slashing the monthly payment to \$350 from \$558. That was one of the last things standing between Shannan Elmore and mortgage approval for the house—the one whose concrete foundation her husband had proposed in front of—that she wanted to build near Boulder, Colo.

But Mrs. Elmore, a 30-year-old chemist who graduated in May 1996 with a master's degree and \$43,000 of debt, said it took eight months for the Electronic Data Systems Corporation to do the paperwork—far too long to satisfy the mortgage lender.

During those months, Mrs. Elmore said, she called frequently only to be put on hold—for as long as 45 minutes—and received one promissory note missing the very page her lender needed to see. She said she was still trying to clear up a loan that E.D.S. thinks it paid off twice and for which it is double-billing her. The Elmores eventually qualified for a mortgage, but for a different house.

Mrs. Elmore is one of tens of thousands of recent graduates who have endured months of red tape as E.D.S. has struggled during the last year to fulfill its contract with the Education Department to run the Government's four-year-old effort to gain control of the nation's student loans. The delays have resulted in a Congressional hearing, prompted calls for legislation and given a black eye to both the Education Department and to E.D.S., the giant computer services company that is based in the Dallas suburb of Plano.

At the hearing, held Sept. 18, Marshall Smith, Acting Deputy Secretary of the department, testified that it had taken E.D.S. almost five months, on average, to complete each loan consolidation, creating a backlog of 84,000 applications. To give E.D.S. time to catch up, the department ordered it to stop accepting new consolidation requests in August.

This very public stumbling has put expansion of the Government's so-called direct student loan program in jeopardy. Republicans who opposed the Clinton Administration's 1993 effort to move student loans away from banks and into the hands of the Education Department are back in force.

"What we said in '93 has come home to roost," said Representative Howard P. McKeon of California, chairman of the subcommittee of the Committee on Education and the Work Force that held the recent hearing. Critics of the program said that it was doomed to create inefficiencies and bottlenecks.

Under the direct-loan program, student loans are issued by the Government, instead of by banks or other private lenders. The program is supposed to simplify life for students, who often have to borrow from more than one bank and then keep track of loans that are sold to lenders in other parts of the country.

The program is also supposed to trim Government administrative and interest expenses paid to lenders in the separate student loan operation in which repayment is simply guaranteed by Washington. And it provides students with more lenient repayment methods—allowing them to pay based on their income. The direct program has proved popular with students: it now represents about \$20 billion in outstanding loans, about 16 percent of the total student debt, and is being used by 36 percent of all students borrowing for college expenses. E.D.S. issues the direct loans and oversees their consolidation.

To help ease the consolidation logjam—and, not incidentally, slow the direct program's forward motion—critics of Government lending have scheduled a committee vote Wednesday on a measure that would allow students to consolidate loans through

a bank even if one or more of the loans had been issued by the Government. That option is not currently available to them. If the measure is approved, it would go to the full House for consideration.

Both E.D.S. and the Education Department say the logjam results from an unexpectedly large influx of consolidation applications and from a surprising amount of complexity in the process. E.D.S. said it had based its winning bid for the contract on department specifications that had forecast much less work. The department said it expected 7,000 to 8,000 applications each month; the actual rate was 12,000 a month.

But analysts that follow E.D.S., along with an executive of the Maryland company that previously held the contract, suggest another explanation—that an E.D.S. eager to win business may have underbid the job in 1995 by underestimating how many workers would be needed. E.D.S. has had to add 77 customer service representatives to the 100 it originally assigned to the contract, and last year it replaced the managers running the project.

Education Department officials acknowledge that they do not have the expertise to guide such a complicated computer effort. "A lot of the problems we run into with government is we don't block and tackle correctly," Thomas Bloom, inspector general for the department, testified at the Sept. 18 hearing. The General Accounting Office, the Congressional watchdog, has repeatedly questioned the department's technical ability to handle financial aid information.

George Newstrom, an E.D.S. corporate vice president for government contracts, said the company did not improperly underbid. "We don't do that," he said E.D.S. would have had enough employees to do the work if the Government's estimates had been correct, he said.

But E.D.S. has acknowledged that it miscalculated on other contracts that were bid around this time. In August, E.D.S. said that it had re-evaluated profits related to about a dozen contracts booked in 1994 and 1995, lowering the numbers. The changes cost the company \$80 million in pretax income.

Investor concerns over those errors combined with disappointing quarterly earnings to drive E.D.S.'s stock from a 52-week high of \$63.375 last October to \$35.50 today. The company is in the middle of a revamping that will shed 8,500 of its 100,000 jobs.

E.D.S. dismissed at least one of the managers responsible for the troubled contracts, according to Myrna Vance, E.D.S.'s corporate vice president for investor relations.

Mrs. Vance said the student loan account was not on the problem list in August. It is too early to tell whether the need to assign additional service representatives will mean lower profits there, she said.

The company's February 1995 bid to the Education Department was submitted at a time when, analysts say, E.D.S. was in a period of flux and managers were especially eager to win contracts.

E.D.S. was still adjusting to bruising competition from I.B.M., which had barged onto its turf in 1991 with aggressive bids for contracts that had long gone to the Texas company. Also, top E.D.S. management was distracted by the company's planned 1996 spinoff from the General Motors Corporation, which had bought the company from its founder, Ross Perot, in 1984. The spinoff would remove E.D.S. from G.M.'s protective wing, leaving it to stand or fall on its own.

E.D.S., long the industry leader in handling computer services for big clients, finished 1995 with \$12.4 billion in revenue, up from \$10 billion the year before. But according to a Merrill Lynch analyst, Stephen T. McClellan, the company was finding it increasingly difficult to keep up the double-

digit earnings growth it had come to regard as its due. Worse, I.B.M. was gaining on E.D.S. for total contracts won and would roar past in 1996.

It was in this atmosphere that E.D.S. prepared its \$162 million bid to issue and consolidate direct loans over a five-year period. The bid was at least 50 percent lower than the one submitted by the Maryland company that had been doing the job, the CDSI/Business Applications Solutions unit of Computer Data Systems Inc. E.D.S. soon won a second five-year contract, worth \$378 million, to service the loans.

Thomas A. Green, president of the CDSI unit, said that his company had already started to see a surge in interest in the direct-loan program—and the Education Department should have known that. "We were sending out applications all the time, so it was clear that the popularity of the program was growing," Mr. Green said. "They weren't blind-sided at what it was going to be when they took over," he said of E.D.S.

Mr. Green also said his company was never as backlogged as E.D.S. has been. He said CDSI consolidated 144,000 loans in the 22 months between January 1995 and November 1996, when it finished its work. The average consolidation took 65 to 70 days, he added.

That compares with an average of 142 for E.D.S., according to Mr. Smith, the Education Department official. E.D.S. has processed about 54,000 loans since taking over last September, he told the House panel.

One of those affected by the delays is Robyn Higbee, who says she went back and forth on the phone for six months to consolidate two of her husband's law school loans totaling \$18,500. Mrs. Higbee struggled with this as the family moved from Virginia to California, her husband studied for the bar exam and started a new job, the couple bought their first home and she gave birth to a baby who required heart surgery.

"It was just something that was totally unnecessary," Mrs. Higbee, 25, said of the loan complications.

Randolph Dove, a spokesman for the company in its Washington-area office, while not familiar with the details of Mrs. Higbee's and Mrs. Elmore's cases, said that E.D.S. regretted the difficulties any students have had. "We've been working very hard and have a lot of people dedicated to resolving this," he said.

Over all, E.D.S. has recovered from its dry spell in winning contracts. I.B.M. won \$27 billion in new business last year, compared with E.D.S.'s \$8.4 billion, according to Greg Gould, a computer services analyst at Goldman, Sachs, but this year E.D.S. has already won or is close to signing \$16.4 billion worth of contracts. Also, gross margins are up for the work E.D.S. managers are bringing in—25 percent rather than the 16 percent on contracts in 1994 and 1995, Mr. Gould said. And top management has increased its control of underlings who may have been tempted to bid too low to win a contract, he added. "There's that winner's curse," he said. "You want to win and you just lower your price until you win the contract."

The prognosis for direct student loans is murkier. E.D.S. expects to have the kinks out of its system and its backlog erased by Dec. 1, Mr. Dove said. Students can then start applying once more for consolidations, he said.

But the concern over the logjam is undercutting the Government's plans to expand the program. Representative McKeon, who introduced the legislation now before the education committee, concedes that there are not enough opponents of direct loans to kill the program outright. But his bill would at least end the Government's monopoly over consolidation that restricts all students who have any direct loans.

For E.D.S.'s part, Mrs. Vance said that the publicity would not have much impact on the company's prospects. "One contract is not going to set a trend or be a deterrent for new business," she said.

The Education Department, however, is considering whether to cancel the \$378 million contract with E.D.S. for servicing the loans. Such a move could come because applications for new loans are, oddly enough, now running below expectations. A cancellation would not be related to the problems with the consolidations, a department spokesman said, adding that another company's servicing contract is also in jeopardy.

But even some of the lawmakers who mostly blame the Education Department for the program's troubles are asking whether E.D.S. should be punished by being docked part of its pay. Representative Peter Hoekstra, Republican of Michigan, said he might favor doing that.

Even without that penalty, however, E.D.S. will feel some pain, Mr. Hoekstra said, adding, "I wouldn't want to be identified as the vendor that forced the Federal Government to shut down consolidations in the direct-loan program with a backlog of 84,000 kids."

Mr. JEFFORDS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL COSPONSORS—S. 1319

Mr. BYRD. Mr. President, I ask unanimous consent that the name of Mr. LEVIN, Mr. JEFFORDS, and Mr. LEAHY be added as cosponsors to S. 1319, a bill to repeal the Line-Item Veto Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JEFFORDS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

MORNING BUSINESS

Mr. JEFFORDS. Mr. President, in behalf of the leader, I ask unanimous consent that there now be a period for morning business with Senators permitted to speak for up to 5 minutes each until 3 p.m..

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JEFFORDS. Mr. President, I yield the floor.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BRYAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BRYAN. Mr. President, I ask unanimous consent to speak as if in morning business with the understanding that if the distinguished floor leader is prepared to move forward, I am prepared to yield the floor back to him for purposes of conducting his business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BRYAN. I thank the Chair again.

NUCLEAR WASTE POLICY ACT OF 1997

Mr. BRYAN. Mr. President, yesterday, in perhaps the most antienvironmental vote of the Congress, the House of Representatives passed the Nuclear Waste Policy Act of 1997. Like the Senate bill that passed earlier this year, the House bill unfairly targets Nevada, a State with no nuclear reactors, as the final destination for 80,000 metric tons of high-level nuclear waste produced by the U.S. commercial nuclear utilities, most of which are located in the East.

The central feature of the bill passed by the House yesterday, like the Senate bill, is the establishment of so-called interim storage of high-level commercial nuclear waste at the Nevada test site, about 80 miles north of the metropolitan Las Vegas area, an area that comprises some 1 million citizens.

Like its Senate counterpart, the House bill tramples on decades of environmental policy, ignores public health and safety and exposes the American taxpayer to billions of dollars in cost to solve the private industry's waste problem.

Fortunately, the President has indicated that he will veto either version of this misguided legislation. We have secured the votes in the Senate to sustain President Clinton's veto.

While yesterday's House vote falls slightly short of the number required to sustain a veto in the House, we are still within striking distance of the required number, and I believe that in the end this bill has little or no chance of becoming law.

As I have discussed many times here on the Senate floor, the nuclear power industry's legislation is nothing but corporate pork, plain and simple. It is a bailout for a dying industry at the expense of both the pocketbooks and the health and safety of the American public.

Nevada, as the industry's chosen destination for its waste, has obvious objections to this legislation. But, Mr. President, other regions are also rightfully concerned with the potential impact on their citizens. Under this legislation, in just a few short years, 16,000 shipments of toxic, high-level nuclear waste will be transported by rail and highway through 43 States. More than 50 million Americans live within 1 mile of the proposed rail and truck routes.

The bill requires the transportation of waste through many of our largest