

mind when we come to the floor to fight for fewer regulations, a lower tax burden, and more affordable and accessible health insurance for small businesses and their employees.

#### COMBATTING VIOLENCE WITH JOBS FOR YOUTH

Mr. KENNEDY. Mr. President, a recent op-ed article in the *Boston Globe* emphasizes the severity of the employment problems facing today's youth and its relationship to the increase in gang and gun-related violence in the Nation's cities.

Easy access to guns and other dangerous weapons and the shameful prevalence of drugs are major contributors to this problem, but so too is the lack of job opportunities available for our youth. We have failed to develop job programs that will help these youths build a future without guns and gangs.

In the *Globe* piece, William Spring, the distinguished former vice president of the Federal Reserve Bank of Boston and a senior member of the domestic policy staff in the Carter administration, and Andrew Sum of Northeastern's Center for Labor Market Studies, argue that although we face a very real problem with youth unemployment, we can do something constructive about it. The only question is whether we have the will and the wisdom to make the investments necessary to enable our youth to seek, find, and take advantage of the job opportunities that can transform their lives and make our communities safer and stronger.

I believe the article will be of interest to all of us in Congress, and I ask unanimous consent that it be printed in the RECORD.

[From the *Boston Globe*, Apr. 5, 2007]

#### COMBATTING VIOLENCE WITH JOBS FOR YOUTHS

(By William Spring and Andrew Sum)

During the past few weeks, attention has been focused on the rise in fatal shootings and gang-related activities in Boston. Governor Deval Patrick and Boston Mayor Thomas Menino recently announced joint efforts to combat gang violence, including an expansion in youth summer jobs. Renewed public policy attention to youth labor market problems in Boston and the state is clearly warranted. While the overall number of jobs has increased over the past few years, the labor market for teenagers in both the nation and state has remained extraordinarily weak.

Employment rates for the nation's and state's teens (age 16-19) in 2005 and 2006 were the lowest in the past 50 years. Male high school students and dropouts across the state have found it particularly difficult to find work over the past six years, often increasing their involvement in gang and criminal activities.

To make matters worse, job opportunities for high school youths are distributed unevenly across key demographic and socioeconomic groups. In 2005, white high school youths were twice as likely to work as black youths and 40 percent more likely than His-

panic youths. The need for a concerted set of public policy responses both short-term and long-term is needed.

A variety of favorable educational, social, and labor market outcomes can be generated from an expansion of in-school work opportunities for high school students, especially those from race-ethnic minority and low-income groups.

National research has shown that minority and low-income youths who work in high school are less likely to drop out than their peers who do not work. Students with jobs that offer work-based learning opportunities are more likely to see the relevance of school curriculum to future job performance and remain more committed to their school work.

Teenage women who live in local areas that provide more job opportunities to them are less likely to become pregnant, and male teens are less likely to become involved with the criminal justice system. National, state, and local research also consistently reveals that work in high school facilitates the transition to the labor market upon graduation and increases the annual earnings of youth in their late teens and early 20s.

There are a variety of workforce development strategies that can be pursued to boost employment opportunities for high school students during the regular school year and the summer.

First, the hiring of professional staff to work with students and employers to create work-based learning opportunities, paid internships, and regular job opportunities is important, especially for youth from low-income families and those whose parents do not work. Job brokering services of these career specialists also can broaden the range of jobs by industry and occupation to which high school students can be exposed.

At a minimum, maintaining last year's increased funding for the existing Connecting Activities Program at \$7 million can help local Workforce Investment Boards increase the hiring of staff to work with students and employers to improve teen job prospects. The governor and Legislature should jointly support an increase in funding for such connecting activities and demand strong accountability for performance.

Second, employers who provide work-based learning opportunities and wages for students in school-to-career programs should receive tax credits for their hiring and training of high school students. Many employers provide important staff support and in-kind contributions to such programs and should be rewarded for their efforts.

Third, the governor should encourage all state agencies to promote the hiring of high school students during the summer months, and more of the state's mayors and town managers should follow the lead of Menino in promoting the hiring of their high school students by the private sector.

Fourth, the state should adopt a youth apprenticeship program similar to that of the state of Wisconsin's and more aggressively promote apprenticeship training under the existing system in our state. Young workers in Wisconsin can receive youth apprenticeship training in up to 21 occupational fields under the state's system, thereby providing employers with access to young skilled workers in a structured work/training system.

Massachusetts should aim to become a national leader in both the employment and training of its high school students and out-of-school youth. A more successful youth employment and training system can help promote the future growth and quality of

our state's resident labor force and help stem high levels of out-migration.

#### REFORMING THE STUDENT LOAN INDUSTRY

Mr. KENNEDY. Mr. President, a column by Joe Nocera from last Saturday's *New York Times* contains an excellent analysis of the student loan industry and the recent sale of Sallie Mae. We often hear about the rising cost of college and the debt that so many students shoulder to attend college. As this article emphasizes, the industry reaps enormous profits by forcing students to burden themselves with excessive debt.

The recent sale of Sallie Mae illustrates the problem. The company, the largest player in the industry, was purchased earlier this month by private equity firms and banks for an incredible \$25 billion, 50 percent premium over Sallie Mae's stock price.

Financial specialists know how profitable lenders such as Sallie Mae are because of the large Government subsidies these companies receive—subsidies of more than a billion dollars last year. As Congress moves forward with reauthorizing the Higher Education Act, we must look closely at this industry and its practices to ensure that America's students are the ones being served, not just the bottom lines of America's lenders.

Mr. Nocera, a *Times*' business columnist and former editorial director of *Fortune* magazine, is widely respected and has won numerous awards for excellence in business journalism. I believe his column will be of interest to all of us in Congress, as we consider the reauthorization of the Higher Education Act, and I ask unanimous consent that his article, "Sallie Mae Offers a Lesson in Cashing In," be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the *New York Times*, Apr. 21, 2007]

#### SALLIE MAE OFFERS A LESSON ON CASHING IN

(By Joe Nocera)

Aren't you just fuming about that Sallie Mae deal?

The company, formally known as the SLM Corporation, which has been the subject of recent exposés and investigations, announced this week that it had agreed to be taken private in a deal worth \$25 billion. The stock, which has been in a slow decline over the last year, leapt. The market was pleased.

But I'm here to tell you that the deal stinks, though not in the usual "management and private equity are stealing your company" kind of way. You're free to disagree, of course, though if you do, you're probably not struggling to put your children through college.

Sallie Mae is the nation's largest student lender; indeed, it dominates the business. It has the biggest share of government-guaranteed loans, originating \$16 billion of such loans last year alone. In 2006, it also generated \$7.4 billion in "private" loans: that is,

loans that aren't guaranteed, but which students need because their tuition, room and board so far exceeds the pathetic \$23,000 the government guarantees over the course of an undergraduate degree.

The most popular government-guaranteed loans come with interest rate caps (currently 6.8 percent) but they also have certain undeniable advantages for Sallie Mae and its competitors. They are subsidized by the Department of Education. The government makes the lenders nearly whole, even if the student defaults. And the companies are guaranteed by law a decent rate of return.

In other words, the lender takes no risk. The private loans are even more lucrative because companies can charge whatever interest rate they want—not to mention all kinds of fees. In all, Sallie Mae originated more than 25 percent of the student loans made last year.

But wait. There's more. Sallie Mae buys loans from other education lenders and then securitizes them. It has a loan consolidation business, so students can wrap all their education loans into one big fat Sallie Mae loan. It even has its own collection agency so it can hound delinquent broke graduates into repaying. (Government-guaranteed college loans, by the way, aren't easily discharged if the borrower files for bankruptcy.) Sallie's market power—and its close ties to university financial aid administrators, as we've been learning lately from Jonathan D. Glatzer, a reporter for *The New York Times*, and others—have made it immensely profitable. In 2006, the company made over \$1 billion.

Thus, you can't blame the private equity guys for drooling over Sallie Mae. They look at the company, and the arena in which it plays, and they see never-ending tuition increases. The need for a college education will only increase in importance. Most cash-short students and middle-class parents will continue to borrow lots of money to pay the \$100,000 to \$150,000 required to attend a good college. Although the Democrats want to cut the subsidies for government-backed loans, and lower the interest rate caps, the more lucrative private market is going to continue to explode. No wonder the private equity firms of J. C. Flowers & Company and Friedman Fleischer & Lowe were willing to offer a 50 percent premium over Sallie's stock price—and load on \$16 billion in new debt. This thing is a gold mine, I tell you.

But there's another, less market-oriented way to look at this. The entire educational-lending racket is built around the business of piling thousands of dollars worth of debt onto a class of Americans who will probably have to struggle to pay it back. "We ask people who are trying to make something of themselves to mortgage their future, and Sallie Mae profits from that," said Elizabeth Warren, a professor at Harvard Law School.

And when those former students have to start paying back the loans, and they don't have a good-paying job, and they start to fall behind, the industry takes full advantage. Meanwhile, many of the practices now under investigation by the New York attorney general, Andrew M. Cuomo, are intended primarily to keep out competition that might bring down the cost of those loans. Last week, Sallie Mae paid \$2 million to settle an investigation that Mr. Cuomo's office was undertaking. In other words, Sallie Mae and its competitors are maximizing profits on the backs of college students. Can that really be the right priority for our society?

It wasn't always like this. Sallie Mae was started in 1972, and for most of its existence it was a "government-sponsored entity" like Fannie Mae or Freddie Mac. Its primary role was to buy up and securitize government-backed student loans originated by banks

and others so that they, in turn, would have the cash to make yet more student loans. The government subsidized such loans to give lenders the incentive to make them, since the interest rates were fairly low, and the margins were thin. The private loan business largely didn't exist.

During the Clinton administration, the government created a new direct-loan program, thus potentially cutting out the industry, and leaving Sallie Mae with the prospect of becoming irrelevant. At the time, Sallie Mae was prevented by law from originating its own loans.

In 1997, Albert L. Lord became the chief executive of Sallie Mae. (He remains the company's chairman.) Despite presiding over a government-sponsored entity, Mr. Lord was an unapologetic capitalist, who decided that Sallie's best bet was to untether itself from the feds and go directly into the loan business.

Under his leadership, Sallie shed its status as a government-sponsored entity and began the process of dominating the industry. It built those controversial ties to financial aid officials. It helped push back the direct loan business, which many people believe offers taxpayers a much better deal. It got into the private loan business. It became the 800-pound gorilla. From 1999 to 2004, Mr. Lord accumulated \$235 million, most of it from stock options. He got so rich making student loans that he even led one of the groups trying to buy the Washington Nationals baseball team.

The abuses and problems that have recently come to light have actually been around for years. But it wasn't until a new entrant into the field, MyRichUncle, began running a series of advertisements asking pointed questions about the cozy relationships between financial aid officials and executives at the big educational lenders, that the world took notice. The small company's two founders, Raza Khan and Vishal Garg, both 29, had the radical idea that if they offered lower interest rates and a better deal, students and parents would flock to them. Instead, they discovered that most people simply did whatever the university federal aid officer suggested, and they couldn't get on the list of "preferred lenders."

Shut out by what they saw as a cartel, they decided to fight back with a public campaign. That campaign helped set in motion the current investigation by Mr. Cuomo—and earned the MyRichUncle founders the eternal enmity of Sallie Mae and the rest of the industry.

Not that they appear to care. "We love talking about Sallie Mae," Mr. Khan told me with a devious chuckle. Mr. Khan believes that students will be better served if the lending companies start competing on the basis of interest rates and price—and not just on who can cozy up to the universities. It is hard to disagree with him.

What does Sallie Mae say about all of this? You will not be surprised to hear that the company views itself not as the college student's tormentor but as her best friend. I spoke to two Sallie Mae representatives, a senior vice president named Barry Goulding, and Tom Joyce, its vice president for corporate communications, both of whom insisted that Sallie Mae was the dominant player because it offered students and administrators the best level of service, and the best array of products. They insisted that borrowers who exhibited exemplary behavior often got interest rate reductions. (Those who missed a payment weren't so lucky, however.) They said that the so-called preferred-lender list was actually a good thing, and not a way to keep out competition.

"The vast majority of schools go through a competitive bidding process and get the best deals for students," Mr. Joyce said.

According to them—and they are right about this—a big part of the problem is that Congress hasn't raised the limit on government-guaranteed loans since the early 1990s, and that fact, rather than the lenders' greed, is what has driven the explosive rise in private loans. Although they complained that any move by Democrats to lower subsidies and interest rates would hurt its business, they denied that this would cause Sallie Mae to promote its private business at the expense of its government-guaranteed business.

And maybe it won't. But even so, the current for-profit student lending industry is still more about shareholders and profits than about the genuine needs of students, who very often don't have enough money in the first 2, or 5, or even 10 years out of college to pay the high interest rates and onerous fees that make the industry so profitable.

There are some things in life that really ought to be about more than making money. Surely, student loans should be on that list. Sallie Mae was once an institution where profits took a back seat to performing a public good. That, alas, is no longer the case.

Lest you doubt me, listen to Mr. Lord himself. On Thursday, *The Washington Post* published an interview in which he bluntly declared that his decision to take the company private stemmed from his frustration with "the politicians" whose decisions were hurting Sallie's share price. These are the same politicians, of course, who passed the laws that made Sallie's business possible. But never mind.

"I didn't see our share price rebounding anytime soon and I said, 'This is silly,'" Mr. Lord told the paper. Mr. Lord added that when the buyout is complete and he leaves the company, he'll walk away with a \$135 million payout.

Are you mad yet?

#### THE VISIT OF PRIME MINISTER SHINZO ABE

Mr. OBAMA. Mr. President, today I extend my welcome to Prime Minister Shinzo Abe of Japan, who is making his first trip to the United States as Prime Minister this week.

The U.S. Japan alliance has been one of the great successes of the postwar era, and Japan's remarkable achievements and constructive role in world affairs over the past 60 years are a great testament to the Japanese people. As the world's two wealthiest democracies, the U.S. and Japan, have a shared interest in promoting security and prosperity in Asia and around the world—shared interests that rest on a bedrock of shared values: in democracy, the rule of law, human rights, and free markets.

As one of America's closest allies, Japan today plays a vital role in working with the United States in maintaining regional security and stability, promoting prosperity, and meeting the new security challenges of the 21st century.

Japan's role in the Six Party Talks—supporting efforts to persuade North Korea to abandon its nuclear weapons program and return to the non-proliferation treaty and IAE safeguards—has been essential. And beyond North Korea, Japan today is playing a leading role in the architecture of the Asia-Pacific region, including participating in peace keeping operations, and