

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

in building stable and enduring structures for cooperative regional security.

In the face of such threats as North Korea's nuclear and missile programs, Japan, in partnership with the United States, has also sought to reinvigorate its security profile in the region. Japan's efforts to develop a more capable Self-Defense Forces, as well as the Prime Minister's elevation of the Japan Defense Agency to a Ministry, are, in my view, both to be welcomed as signs of a "normal" Japan, able and willing to play a leading and responsible role in the region.

The U.S.-Japan alliance must remain at the core of efforts to revitalize Japan's role in ensuing stability and security in the region. One key aspect of this effort is the realignment of forces currently in Japan, making certain that America's ability to respond to threats in the region is not diminished.

Japan has shown that it is not only playing a responsible leadership role in its own region, but globally as well.

The occasion of the Prime Minister's visit provides an opportunity for the people of the United States to express our deep appreciation to Japan for its contributions to our efforts to combat al-Qaeda and other international terrorist organizations. In Afghanistan, Japan has donated over \$1 billion in development funds to rebuild vital infrastructure precisely the sort of effort to transform the environment in Afghanistan that will be key to defeating al-Qaeda and the Taliban. And Japan has provided critical support—often unseen—in multilateral efforts to thwart the growth of terrorist organizations in Southeast Asia.

Japan has also proved to be an invaluable partner in providing humanitarian response and relief in the Southeast Asia. Japan joined with the United States in responding to the tragic December 2005 tsunami, and has worked with others across the region to develop an effective tsunami early warning system.

And Japan has worked with the United States and others in the international community to develop the infrastructure and institutions we need in order to face new transnational challenges like the threat of avian influenza. Also, although Japan's foreign assistance level declined earlier in the decade, as part of the 2005 G8 global development discussions, Japan announced it would increase foreign aid by \$10 billion in aggregate over the next 5 years, and double its assistance to Africa over the next 3 years.

With newspaper headlines that remind us on a daily basis of the risk the planet faces from climate change, we must also recognize the critical leadership role in the international community that Japan has played on environmental issues and climate change. The Kyoto Protocol, which was negotiated in Japan's ancient capital of Kyoto in 1997, has now been ratified by over 160 nations.

Japan has also played a key role in forging the Asia-Pacific Partnership on

Clean Development and Climate, through which the U.S., Japan, and others in the region seek to marshal the scientific and technical expertise needed to develop cleaner and more efficient technologies and bring about a carbon-neutral Asia-Pacific region without sacrificing economic growth.

As the world's second-largest economy, Japan is a vital source of growth and dynamism for the rest of the world. In this regard, the reemergence of Japan from its "lost decade" of virtually no economic growth is a most welcome development.

There is nonetheless still more Japan can do at home to improve the structure of its economy, from removing regulations that stifle business competition and innovation to further develop Tokyo as a global financial market. And the Japanese economy is still not open enough to imports in key sectors or to foreign direct investment. The United States has an interest in seeing Japan address these challenges so that the Japanese economy can continue to play a leading role in sustaining global economic growth.

Although not without its challenges—as is natural in any normal bilateral relationship—the United States and Japan today have a strong and deep relationship and the basis for close cooperation and partnership which will allow us to work together to meet the challenges of the decades ahead.

But I would be remiss in my duties as a friend of Japan if I did not note that for Japan to be able to play a leading role in Asia and be perceived by its neighbors as a "normal" nation it must deal forthrightly with its history. It is important for Japan to face these issues fully, openly, and honestly. A Japan that is mindful of its past can and should play a leading role in Asia's future.

So let me, in turn, close with some thoughts on the future of the U.S.-Japan relationship.

First, I believe that it is important for Americans, so used to a close partnership with Japan, to embrace the complex realities of a Japan that is a "normal nation"—one that has its own identity, vision, and goals. Such a Japan should be welcomed by the United States as a true partner and friend, even while understanding that it may mean that there will be differences on certain issues.

Given the new regional realities, United States can no longer take managing the U.S.-Japan alliance for granted.

Second, although the U.S.-Japan relationship remains the centerpiece of both U.S. and Japanese policy in the Asia-Pacific region, in recent years the Bush administration has let its attention to this critical relationship drift as it has been distracted by other issues.

The alliance demands, and is deserving of, close political cooperation and coordination at every level, reflecting

the key role Japan plays as an anchor of U.S. economic and security interests in the region and across the globe.

Third, recognizing the important role that Japan now plays around the globe—on peacekeeping, economic development, global warming and new transnational threats—I believe the time has long since passed for Japan to have a role commensurate with its responsibilities, including in the U.N. Security Council.

The visit of Prime Minister Abe provides us an opportunity to rededicate ourselves to the U.S.-Japan partnership, with the same spirit that has governed our relations for over 60 years. America benefits greatly from a close and productive partnership with a Japan that is confident about its future and willing and able to play a leading role in creating a peaceful and prosperous Asia.

STATE-BASED HEALTH CARE REFORM ACT

Mr. FEINGOLD. Mr. President, there is a crisis facing our country, a crisis that directly affects the lives of over 45 million people in the United States, and that indirectly affects many more. The crisis is the lack of universal health insurance in America, and its effects are rippling through our families, our communities, and our economy. It is the No. 1 issue that I hear about in Wisconsin, and it is the No. 1 issue for many Americans. Nevertheless, the issue has been largely ignored in the Halls of Congress. We sit idle, locked in a stalemate, refusing to give this life-threatening problem its due attention. We need a way to break that deadlock, and that is why I have introduced a bill with the Senator from South Carolina, LINDSEY GRAHAM, that will do just that—the State-Based Health Care Reform Act.

Senator GRAHAM and I are from opposite ends of the political spectrum, we are from different areas of the country, and we have different views on health care. But we agree that something needs to be done about health care in our country. Every day, all over our Nation, Americans suffer from medical conditions that cause them pain and even change the way they lead their lives. Every one of us has either experienced this personally or through a family member suffering from cancer, Alzheimer's, diabetes, genetic disorders, mental illness or some other condition. The disease takes its toll on both individuals and families, as trips to the hospital for treatments such as chemotherapy test the strength of the person and the family affected. This is an incredibly difficult situation for anyone. But for the uninsured and underinsured, the suffering goes beyond physical discomfort. These Americans bear the additional burden of wondering where the next dollar for their health care bills will come from; worries of going into debt; worries of going bankrupt because of health care needs.