THE PROBLEM

In responding to the request for an analysis of their delinquent accounts, the 198 Project 100 institutions were asked to inform us as to what they considered to be the most serious impediment they encountered in the proper operation of their loan programs. Again certain trends become apparent; the majority of problems fell within five (5) categories. Rather than list these, actual quotations from our correspondence should provide a more meaningful picture of these problems.

1. Please be considerate of my in-experience with the program; and, I would also call attention to the *difficulty in finding capable personnel to manage the program.*

2. A lack of incentive to pay because of the *absence, in the early years of the Program, of any penalties* for non-payment or tardy responses. . . .

3. Many of our *delinquent borrowers are teachers* who fail to request postponement of installments in anticipation of cancellation.

4. A major *source of delinquent repayments may be found in the drop-out cases;*[4] student borrowers who get away from school without an Exit Interview.

5. The chief problem which we have encountered in the administration of the Student Loan Program has been its *rapid growth.* It became a major problem at a time when we were *not sufficiently well staffed to handle it adequately.*

CONCLUSION

The problems manifested by the 198 "Project 100" institutions are the same problems encountered by the majority of all schools in the Student Loan Program; how quickly they are recognized and resolved determines whether or not an institution will be able to administer its Loan Program in a suitable manner. Through the special study of these "select" schools, one item has become increasingly apparent, both to this office and to the Regional Offices: the more frequent the personal contact with these institutions, the less likelihood there is of their developing problems.

In spite of the restriction on travel funds and the severe shortage of personnel in our Regional Offices, close contact was maintained with these problem schools, often to the detriment of other important duties. Program reviews, meetings, visits, telephone communication, and letters were utilized in an effort to assist the schools to resolve their delinquency problems; as noted earlier, 51 percent of the schools showed some improvement during the past year. Increasing demands on the Region, however, and the undeniable fact that some duties had to be ignored in order that they be able to devote as much time to their problem schools as they did, will preclude the maintenance of such effort in the future.

Only if the Regional Offices have sufficient staff to enable them to maintain frequent and personal contact with their schools can future problems be precluded. Nothing provides greater evidence of this than the situation in Region VIII; the ratio of staff is such that each school is visited at least *every* year. Consequently, when the original "Project 100" institutions were called from the universe of NDSLP participants, *not one* institution qualified. And, since that time, problems have been recognized before they could become serious enough to place an institution in the "Project 100" category.

Mr. ESCH. The information I have received is that it was right around 3 to 4 percent from the existing, without the reinsurance. Taking it at this rate, with $3.5 billion, with 80 percent guaranteed, we are talking about approximately $90 to $100 million a year in defaults.

Mr. MUIRHEAD. I think that is quite proper, Mr. Congressman, to indicate that we have no basis for measuring the collection or default rate under the guaranteed loan program. It would not be wholly

[4] Preliminary analysis indicates that approximately one-third of delinquent borrowers are drop-outs.