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THE PRESIDENT HAS SEEN *dy.*

THE WHITE HOUSE

WASHINGTON

INFORMATION

September 24, 1974

MEMORANDUM FOR THE PRESIDENT
FROM: KEN COLE *C*
SUBJECT: GUARANTEED STUDENT LOAN DEFAULTS

grr 7/

This is a follow up of your request for a chart breaking down student loan defaults by category.

The accompanying table (at Tab A) developed by GAO of projected eventual default rates by type of school for programs guaranteed 100% by the Federal Government indicates wide variations in the projected default rate by various types of institutions. GAO projects that of \$618,900,000 borrowed by proprietary school students through FY 1973, \$294,640,000 or 47.6% will eventually end in defaulted loans. This contrasts sharply with only \$45,803,000 in defaults or 11.9% of the \$383,707,000 borrowed by students at private non-profit schools and \$167,885,000 representing 15.4% in defaulted loans from \$1,089,472,000 borrowed by public school students.

It should be noted that the projected default rates are much higher than the probable actual amount of money lost to the taxpayers, because once the defaulted loan is paid to the lending institution, the government then converts the defaulted loan to repayment status and has thus far been able to collect approximately 50% of the defaults.

Of cumulative loans matured through FY 74, the net default rate on mature paper after government collection procedures have been instituted, has been 12% overall compared to 24.3% projected by GAO for public, proprietary and non-profit institutions combined before government collection procedures were instituted.

Recent testimony before the Senate Education Subcommittee indicates that the projected eventual default rates for private and state loan programs (80% reinsured by Federal Government) generally fall between 5% and 7%.

Based on this information, approximately \$264,000,000 loans will have been defaulted of approximately \$4,400,000,000 borrowed from 1966 to 1974. This is a projected figure of the total defaulted amount once all of the loan paper has matured. A detailed breakdown by category is not available on these State or privately administered programs.

FUNDS BORROWED THROUGH FY 1973

	<u>Loan Amount in Thousands</u>	<u>Eventual Default Rate</u>	<u>Eventual Default Amount in Thousands</u>
I. Public:			
College and Universities	\$868,960	11.9	\$103,719
Junior College and Institutions	118,230	36.0	42,614
Specialized and Vocational	40,877	24.3	9,941
Other (unidentified)	<u>61,405</u>	<u>18.9</u>	<u>11,611</u>
Total	1,089,472	15.4	167,885
II. Private (non profit):			
Colleges and Universities	357,349	11.2	39,977
Junior Colleges and Institutions	20,853	19.6	4,077
Specialized and Vocational	<u>5,505</u>	<u>31.8</u>	<u>1,749</u>
Total	383,707	11.9	45,803
III. Proprietary:			
Colleges and Universities	8,992	43.2	3,877
Junior Colleges and Institutions	7,875	16.0	1,261
Specialized and Vocational	<u>602,033</u>	<u>48.1</u>	<u>289,402</u>
	618,900	47.6	294,640
Grand Total	2,092,079	24.3	508,328
IV. Combined:			
Colleges and Universities	1,235,301	11.9	147,583
Junior Colleges and Institutions	146,958	32.6	47,572
Specialized and Vocational	648,415	46.6	301,182
Unknown	<u>61,405</u>	<u>18.9</u>	<u>11,611</u>
Total	<u>2,092,079</u>	<u>24.3</u>	<u>508,328</u>

Central Files

THE PRESIDENT HAS SEEN. *h*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 24, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: New Orders in Durable Goods Manufacturing --
Advance Report for August

WMA

A. Summary

New orders received by producers of durable goods -- an important advance indicator of durable goods activity -- rose 2.8 percent from July to August according to preliminary reports. If not for a large rise in defense orders, the total would have been lower. An adjustment for inflation would make the total still less.

B. Additional Detail

New orders in July and August after allowing for inflation were running about 1 percent below the monthly average for the April-June period and 3-1/2 percent below the average for the third quarter of 1973. This suggests some weakening in new business. However, unfilled order backlogs continue to rise. The large backlog will support activity in durable goods for some time.

These data were released Monday, September 23 at 2:00 p.m.


Alan Greenspan



Central File

THE PRESIDENT HAS SEEN *dsf.*

THE WHITE HOUSE

WASHINGTON

September 24, 1974

MEMORANDUM FOR THE PRESIDENT

FROM: William E. Timmons *pa*

SUBJECT: Congressional Mail

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The attached log of Congressional mail received on September 23rd is for your information.

This mail will be handled routinely by my office.