

HRD



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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HR9-OTH-93

March 8, 1979

Mr. J. Fred Bucy, President
Texas Instruments Incorporated ~~CNG~~ CNG 00511
P.O. Box 5474
Dallas, Texas 75222

Dear Fred:

Your letter of February 5, 1979, discussing default rates on Federal student loans pertains to a problem that is receiving a great deal of attention in the Congress and the Department of Health, Education, and Welfare. This concern led us to conduct two reviews of the Direct Loan Program which resulted in the reports included as enclosures I and II. AGC 00022v

In our November 1976 report (enclosure I) we recommended that the Office of Education revise its delinquency rate calculation to exclude the face value of loans which have been fully retired. Although the Office of Education agreed that our recommended method would be similar to commercial banking practices, it did not think that such a method should be applied to the Direct Loan Program because of the unique characteristics of these borrowers such as the lack of past credit histories and requirements for collateral. AGC 00 ~~00~~ 058

Therefore, the 11.2 percent delinquency rate calculated for Texas Tech University was calculated using a method approved by the Office of Education. This is also true of the rates calculated in enclosures III and IV to this letter even though the terminology "default rate" appears on the enclosures. In past years, the Office of Education tended to use the terms delinquency and default interchangeably when referring to the Direct Loan Program.

Currently, the HEW Audit Agency is advocating that the default rate for the National Direct Student Loan Program be calculated by dividing the principal outstanding on loans in default by the face value of matured loans less deferments. This is similar to what is done for the Guaranteed Student Loan Program, and the belief is that this will provide better comparative information for these two major Office of Education loan programs.

As can be seen from enclosures III and IV--which cover the period ended June 30, 1977, the latest published information--the 11.2 percent rate for Texas Tech would be quite favorable when compared with the rates of many institutions and when matched against many statewide rates.

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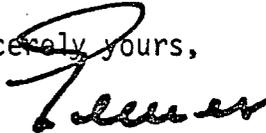
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Default rates for individual institutions as of June 30, 1978, will not be available from the Office of Education until the end of March. However, the nationwide default rate for the Direct Loan Program as of that date was 17.3 percent.

The two GAO reports on the Direct Loan Program contain some further comparative delinquency rate information by types of institutions and describe the Office of Education's and our methods for calculating "delinquency" rates.

I hope that this information will be of assistance to you.

Sincerely yours,



Comptroller General
of the United States

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