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Consolidated and Reformed Workforce Development and Literacy Act (1976): Speech 10

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Issue: Sallie Mae

Background: The House bill has a provision that would permit the privatization of Sallie Mae, but one which would permit them to return to current law status if they could not get privatization approved by their Board. The Clinton Administration supports privatization, but it contends that Sallie Mae should not have the protection of returning to current law. The Administration believes that if Sallie Mae moves to privatize, it should assume some risk and that if its Board rejects privatization, it should proceed to liquidate in an orderly and timely fashion. It also believes that Sallie Mae should pay a fee to the government for oversight during the so-called wind-down or move to privatization.

At present, it appears that the Administration and Sallie Mae are close to an agreement. Sallie Mae says it should pay an exit fee of \$250,000 a year; the Administration says the fee should be \$1.5 million. Also, Sallie Mae says it should have until 2021 to execute privatization. The Administration says the year should be 2010. We could certainly reach a middle ground on both of these issues.

Talking Points: I understand that both the Administration and Sallie Mae are in the midst of meetings in an attempt to reach an agreement, and that are only a few areas of difference outstanding. I would hope they could conclude such an agreement before our next meeting so that the agreement could be included in this legislation. Otherwise, I am of the mind that this is an issue that should wait until reauthorization of the Higher Education Act, a process that will begin next year.