Student loans may become more difficult to get

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Louisiana college students may have trouble borrowing money to continue their education next year, according to Ernest Arballo, associate director of the U.S. Department of Education. He said the government may not have enough money to fund all the expected student loans.

"We have reason to believe some banks are going to get out of student loans," Arballo said. "Many banks feel they are "tying up their money in a venture that is not profitable.""

Trying to relieve the problem is the Louisiana Public Facilities Authority, which wants to give the state's borrowing power to finance student loans just as it has financed a variety of private projects, such as hospitals, that were deemed in the public interest.

State agencies such as the LPPA can screen money at low interest rates because investors pay no federal taxes on the interest they receive. LPPA can also arrange to borrow $1 million that would not be available to buy student loans held by banks, thus making money available that would not otherwise be available.

However, pending legislation in the Congress and department in the Department of Education have caused several delays in the project and may succeed in killing it outright.

In the past, the U.S. Department of Education officials were given the states permission to float tax-exempt bonds to finance student loans. But in considering 30 recent state applications for more than $4 billion, the department approved seven, turned down four (from Louisiana, Maine and two from California) and demanded more information from 18 states.

Edward S. Aide, director of the Department of Education, said the administration is committed to "preserving normal extraordinary loss of (tax) revenue through issuance of tax-exempt bonds.

Some congressional leaders say the department has interpreted that provision too strictly and is undermining one of the most successful state-run programs.

Louisiana and several other states are waiting on the federal tax-exempt bonds before Jan. 1 because the House Ways and Means Committee has been trying to pass legislation that would sharply curtail such bonds after that date.

Last week the Louisiana bond issue was again withdrawn from the agenda of the state Bond Commission, which has not met since November.

Steve Hicks, attorney for the LPPA, said Louisiana isn't trying to pull bonds for student loans unless the Congress acts to retain their tax-exempt status. The state's program won't be considered again by the Bond Commission until February or March, Hicks said.

In separate legislation Congress last fall adopted an amendment by Rep. Henry B. Ford, D-Mich., that Ford said was designed to "police" the number of tax-exempt bonds so that states did not exceed their "reasonable needs.

"It was pretty clear in the act we were to assure that any reasonable amount of student credit would not be at any unnecessary, by unnecessary use of tax-exempt bonds, unnecessarily need. He said that in many cases the loans can be financed at a far lower rate by "Radius" (the Student Loan Marketing Corp.) or by Citibank and Chase Manhattan Bank.

But state officials say these giant lenders insist on too many restrictive rules and in the past have refused to enter into agreements with student loans of less than several thousand dollars. They say they would rather obtain commitments from smaller banks in their states, which receive direct federal subsidies for purchasing the loans on the secondary market.

Meanwhile, state universities, which receive state funding based on the number of students they enroll, see the low-interest loan program as one way to make college as affordable as possible.

"It is vitally in our interest that this program is as much support short-term loan, and because they actually earn money by investing their money in other areas.

Some students are already having trouble getting loans from their hometown banks, and it is difficult for a student to get a loan outside the state.

(See LOANS, 2A)