



# News Release

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## *FEDS HELP FRIENDS RAID U.S. TREASURY*

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### **LOAN FIRMS REAP BILLIONS FROM PROGRAM CONGRESS “ENDED” IN 1993 Education Officials Were Warned of Loophole Abuse but Took No Action**

A government student loan program that Congress intended to end in 1993 is now draining the U.S. Treasury at a rate of nearly one billion dollars a year. Federal officials have the power to curb the abuse, but have taken no action despite clear, early warnings, according to a report, “Money for Nothing,” released today by The Institute for College Access and Success ([www.TICAS.org](http://www.TICAS.org)), a non-profit watchdog group.

The top exploiter of the loophole—an obscure company that has billed taxpayers \$89,860,089 in just the first six months of 2004—is run by a political appointee of the U.S. Secretary of Education. The Nebraska-based company, Nelnet, is also a top campaign contributor to education leaders in Congress.

In the controversial program, Nelnet, Sallie Mae, and other lenders charge the federal government for additional payments beyond the interest that borrowers already pay them. U.S. taxpayers pick up the tab for as much as 6.13 percent interest on loans, giving the firms a total return of 9.5 percent, a government-guaranteed return that is unheard of in today’s economy (Treasury bills currently earn less than 2 percent). When the program was first enacted, the extra interest was to be paid only on loans made with limited-issue tax-exempt bonds. But the Education Department has let companies grow those portfolios rather than ending them as Congress intended in 1993.

“The regulators are holding the door open while these companies raid the U.S. Treasury,” says Robert Shireman, director of TICAS. “The Secretary of Education had the authority to end this exploitation of taxpayers two years ago, and he has the authority today. We are calling on him to take immediate action, and to seek the return of the funds already paid.”

“The Department of Education is spending money for nothing,” says James Kvaal, a TICAS research scholar and coauthor of the study released by the group. “Millions of families are struggling with higher and higher tuition bills. Meanwhile, taxpayers are paying student loan companies a whopping, no-risk return of 9.5 percent. It’s an outrage.”

**To view the full report and to sign up for updates go to [www.ticas.org](http://www.ticas.org).**

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**About TICAS:** The Institute for College Access and Success is an independent, not-for-profit, charitable and educational organization, founded in 2004 to improve educational achievement and expand opportunity by promoting research-based program design and responsible stewardship of tax dollars and of charitable giving. <http://StudentLoanWatch.org> is a project of TICAS.