

Student loan default rates still high

(CPS) — The college student loan default rate hasn't improved after all, the U.S. Department of Education admitted.

Citing a statistical error worth \$400 million, the Education Department - which oversees most federal college programs - confessed about 17 percent of the student loans due in 1988 were in default, about the same rate as in 1987.

The government has tried everything from towing away borrowers' cars, to garnishing deadbeats' paychecks, to cross-checking obscure computer lists to bring the default rate down.

In May, it cautiously announced some success, reporting the default rate had decreased to 15.6 percent of the money due to be repaid in 1988.

However, department officials now say they made a mistake by overlooking the \$400 million in loans - a portion of which were in default - due to be repaid in 1988. Once overdue loans are figured in, the national default rate will be about 17 percent, nearly the same as reported for fiscal 1987.

The error was discovered by the California Student Aid Commission, a state agency that approves federal guarantees for student loans made by banks.

Employees there apparently noticed that default

rates at a number of California schools had curiously dropped to less than 30 percent. They tracked the changes back to a portfolio of suspended loans, which were inadvertently counted as being in repayment.

The loans all were serviced by United Education Software, a California firm that last year drew attention for its mishandling of loans. In March 1989, the Education Department refused to bail out the company for \$650 million in loans that hadn't been repaid, because, the department ruled, United Education Software had failed to follow proper collection procedures.

Besides covering up a lack of progress on the default problem, the error artificially reduced the high default rates of some trade schools and community colleges, making their students again eligible for Supplemental Student Loans.

Congress last year excluded students at schools with default rates of more than 30 percent from receiving Supplemental Student Loans.

The Education department still has not decided whether or how to recalculate the default rates, and said it would decide if affected schools are eligible for the supplemental loans on a case-by-case basis.

"I prefer not to put the fault on anybody," said Roberta Dunn, deputy assistant secretary for student financial assistance. "It's not anybody's fault."

Two universities sell tobacco stock

(CPS) — Schools nationwide will soon be selling off shares in tobacco companies, anti-smoking activists said.

Both Harvard University and the City University of New York recently announced they would prevent their endowment funds from investing in tobacco stocks in the future.

In the first flushes of victory, anti-smoking activists predicted such divestments would soon become as common as schools selling shares in companies that do business in segregationist South Africa.

The campus divestment movement, in turn, generated enough political pressure to alter the United States' policy toward the government of South Africa, the American Committee on Africa maintained.

"It's totally inconsistent to invest in the leading preventable cause of death and disease," said Brad Krevor, executive director of the newly formed Tobacco Divestment Project in Massachusetts.

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